

**PUBLIC ACCOUNTS COMMITTEE
(1978-79)**

(SIXTH LOK SABHA)

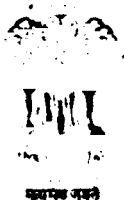
HUNDRED AND FOURTH REPORT

**EXCESS OVER VOTED GRANTS AND CHARGED
APPROPRIATIONS**

**[Excess expenditure over Voted Grants and
Charged Appropriations disclosed in the Appropria-
tion Accounts (Civil) for the year 1976-77].**

AND

**[Action taken by Government on the recom-
mendations of the Public Accounts Committee con-
tained in their 38th Report (Sixth Lok Sabha
on Excesses over Voted Grants and Charged Appro-
priations for the year 1975-76)].**



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PART II*

Minutes of the sitting of the Public Accounts Committee held on the 15th December, 1978 (AN).

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PUBLIC ACCOUNTS COMMITTEE

(1978-79)

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1. Shri H. G. Paranjpe—*Joint Secretary.*
2. Shri T. R. Ghai—*Senior Financial Committee Officer.*

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Hundred and Fourth Report on Excess over Voted Grants and Charged Appropriations disclosed in the Appropriation Accounts (Civil), for the year 1976-77 and on the action taken by Government on the recommendations of the Public Accounts Committee contained in their 38th Report (Sixth Lok Sabha) on Excess over Voted Grants and Charged Appropriations for the year 1975-76, in so far as they relate to Civil Ministries.

2. The appropriation Accounts (Civil), for the year 1976-77 were laid on the Table of the House on 24 August 1978. The Committee had presented their 87th Report (Sixth Lok Sabha) on the Excess Expenditure over Voted Grants and Charged Appropriations as disclosed in the Appropriation Accounts (Railways), (Posts & Telegraphs) and (Defence Services) for the year 1976-77 on 30 August, 1978. The Committee examined the Excesses in the light of the Explanatory Notes furnished by the Ministries and Departments concerned (Appendices I to XV) at their sitting held on the 15th December 1978. The Minutes of the sitting form Part II* of the Report.

3. The Committee's 38th Report (Sixth Lok Sabha) on Excess over Voted Grants and Charged Appropriations disclosed in the Appropriation Accounts for the year 1975-76 was presented to the House on 15 November, 1977. The Action Taken Notes furnished by Government in so far as they related to Railways, P&T and Defence were considered by the Committee earlier and reported upon in their 87th Report. The Action Taken Notes furnished by Government pursuant to the recommendations contained in the 38th Report in relation to Civil Ministries were considered by the Committee at their sitting held on 15th December, 1978 and have been discussed in Chapter III of this Report.

4. For facility of reference, the conclusions and recommendations of the Committee have been printed in thick type in the body of the

*Not printed. (One cyclostyled copy laid on the Table of the House and five copies placed on Parliament Library.)

CHAPTER I

GENERAL OBSERVATIONS

1.1. This 104th Report of the Committee deals with Excess over Voted Grants and Charged Appropriations disclosed in the Appropriation Accounts (Civil) for the year 1976-77. The Report also deals with the Action Taken by Government pursuant to the Committee's recommendations or observations contained in their 38th Report (Sixth Lok Sabha) on Excesses over Voted Grants and Charged Appropriations as disclosed in the Appropriation Accounts (Civil), (Railways), (Posts and Telegraphs) and (Defence Services) for the year 1975-76.

1.2. The Committee had presented on 30th August, 1978 their 87th Report on the Excess Expenditure over Voted Grants and Charged Appropriations as disclosed in the Appropriation Accounts (Railways), (Posts and Telegraphs) and (Defence Services) for the year 1976-77. The 87th Report could not deal with the excess over authorised expenditure as reflected in the Appropriation Accounts (Civil) for the year 1976-77 as those were laid on the Table of the House only on 24th August, 1978. The circumstances leading to the delay in the finalisation of the Appropriation Accounts (Civil) for the year 1976-77 have been explained in the Prefatory Remarks to the Advance Report of the Comptroller and Auditor General of India for the year 1976-77, Union Government (Civil). It is, *inter alia*, explained that the responsibility for the compilation of the monthly accounts of the Civil Departments of the Union Government was substantially transferred from the Comptroller and Auditor General of India to the respective Ministries/Departments in three stages, *viz.*, 1st April, 1976, 1st July, 1976 and 1st October, 1976. As a result, in respect of most of the Civil Departments of the Union Government, the responsibility for compilation of monthly accounts during 1976-77 was with the Comptroller and Auditor General of India for some months and with the respective Ministries/Departments for the remaining months of the year. In respect of some transactions (such as pensions, taxes and duties) the Comptroller and Auditor General continued to be responsible for compilation of the accounts for the entire year. Since the Comptroller and Auditor General of India was not relieved of the responsibility for the preparation of the Finance Accounts for the year 1976-77 and the Appropriation Accounts were to be prepared by the respective Ministries/Departments etc., the process of consolidation

and subsequent reconciliation of the Appropriation Accounts with the Finance Accounts for the year 1976-77, maintained and compiled respectively by two different authorities, became comparatively more complex and, coupled with delays in reconciliation of departmental figures with accounts figures, tended to take more time.

1.3. The Ministry of Finance (Department of Expenditure) have, however, in the communication dated the 15th November, 1978, assured that the accounts for the year 1977-78 were maintained for the whole year by the departmentalised accounting authority of the Ministries/Departments controlling the concerned Grant/Appropriation, the difficulty of the nature listed in the preceding paragraph are not likely to arise hereafter and earnest endeavour would be towards finalisation of the Appropriation Accounts (Civil) for 1977-78 in such a way as to be able to present them to the Parliament by the time the Appropriation Accounts of Railways, Defence and P&T are finalised and laid on the Table of the House of Parliament.

1.4. In the succeeding paragraphs of this Report the Committee have examined the excess expenditure disclosed in the Appropriation Accounts (Civil) in the light of the explanations furnished by the Ministries or Departments concerned. The explanatory notes so furnished are reproduced in Appendices I to XV to this Report.

1.5. The Committee have earlier indicated in paragraph 1.2 of the Report that while the Appropriation Accounts (Railways), (Posts and Telegraphs) and (Defence Services) for the same year were laid on the Table of the House on 4th April, 1978, the Appropriation Accounts (Civil) for the year 1976-77 were laid on the Table of the House on 24th August, 1978. The Committee find that since the Comptroller and Auditor General of India was not relieved of the responsibility for the preparation of the Finance Accounts for the year 1976-77 and the Appropriation Accounts were to be prepared by the respective Ministries/Departments etc., the process of consolidation and subsequent reconciliation of the Appropriation Accounts with the Finance Accounts for the year 1976-77, maintained and compiled respectively by two different authorities, became comparatively more complex and, coupled with delays in reconciliation of departmental figures with accounts figures, tended to take more time. The Committee have, however, been assured by the Ministry of Finance (Department of Expenditure) that earnest endeavour would be made towards finalisation of the Appropriation Accounts (Civil) for 1977-78 in time so as to lay them on the Table of the House during April, 1979. The Committee trust that the Appropriation Accounts (Civil) will hereafter be laid on the Table of the House in the Budget Session of Parliament.

CHAPTER II

EXCESS GRANTS/APPROPRIATIONS

2.1. During the year ended 31st March, 1977, excess expenditure occurred under 8 Voted Grants and 8 Charged Appropriations (Civil). Details of the Grants/Appropriations under which these excesses occurred and the extent of actual excess are given below:

During the year ended 31st March, 1977, the actual expenditure exceeded the Voted Grants and Charged Appropriations in the following Grants:

S No.	No. & Name of Grants	Ministry/Department	Final Grant Rs.	Actual Expenditure Rs.	Excess Expenditure Rs.
1	2	3	4	5	6

I. APPROPRIATION ACCOUNTS (CIVIL), 1976-77

A. Voted Grants

(a) Revenue Section

1.	11--Ministry of Chemicals and Fertilisers	Chemicals & Fertilisers	32,01,000	32,49,327	48,327
2.	29--Ministry of Energy	Energy	60,68,000	60,82,926	14,926
3.	39--Other Expenditure of the Ministry of Finance	Finance	185,00,96,000	202,62,15,745	17,52,19,745
4.	66--Broadcasting	Information & Broadcasting	58,04,08,000	58,11,10,524	7,02,524
5.	80--Roads	Shipping & Transport	85,43,02,000	85,50,20,750	7,18,750
6.	57--Andaman & Nicobar Islands	Home Affairs	23,23,42,000	24,27,55,310	1,04,13,310

(b) Capital Section

7.	40--Loans to Government Servants etc.	Finance (Economic Affairs)	75,85,00,000	76,95,22,214	1,10,22,214
8.	54--Other Expenditure of the Ministry of Home Affairs.	Home Affairs	39,38,34,000	39,39,27,000	93,000

1	2	3	4	5	6
<i>B. Charged Appropriation</i>					
<i>(a) Revenue Section</i>					
9.	38—Transfers to State and Union Territory Govt.	Finance (Economic Affairs)	1527,81,98,000	1528,41,97,084	59,99,084
10.	52—Police	Home Affairs	20,000	35,333	15,333@
11.	70—Administration of Justice	Law, Justice & Company Affairs	65,33,000	65,33,692	692
12.	80—Roads	Shipping & Transport	1,30,000	3,90,520	2,60,520
<i>(b) Capital Section</i>					
13.	36—Currency	Finance	5,60,000	5,60,248	248*
14.	56—Chandigarh	Home Affairs	17,00,000	17,01,153	1,153
15.	83—Department of Steel	Steel and Mines (Steel)	2,00,00,000	2,05,33,139	5,33,139
16.	96—Housing & Urban Development	Works and Housing	31,86,51,000	32,01,10,698	14,59,698

NOTE : @ The excess expenditure disclosed under this Charged Appropriation (No. 52) having resulted exclusively from an erroneous omission in the accounts of the financial year 1973-74 does not require regularisation in terms of paragraph 4.26 of the 45th Report (1965-66) of the Public Accounts Committee (Third Lok Sabha) read with paragraph 7 of the 16th Report of the Public Accounts Committee (First Lok Sabha).

* The excess expenditure disclosed under this Charged Appropriation (No. 36) having occurred due to misclassification, does not require regularisation in terms of paragraph 7 of the 16th Report of the Public Accounts Committee (First Lok Sabha).

2.2. The following table indicates the aggregate excess expenditure under various Grants and Charged Appropriations (Civil), (Railways), (P&T) and (Defence Services) during the past decade:

(Rs. in crores).

Year	No. of Voted Grants	No. of Charged Appropriation	Total	Excess expenditure
1967-68	22	3	25	27.77
1968-69	25	4	29	3.78
1969-70	18	5	23	17.10
1970-71	29	8	37	55.76
1971-72	29	7	36	223.81
1972-73	28	7	35	126.33
1973-74	23	4	27	10.06
1974-75	27	8	35	266.52
1975-76	45	7	52	201.47
1976-77	17	10	27	111.18

2.3. Excluding the excess expenditure reflected in the Grants and Appropriations relating to Railways, Posts and Telegraphs and Defence Services during the three years beginning from 1974-75, the aggregate excess over authorised expenditure under the Grants and Appropriations (Civil) alone is indicated in the following table:

(Rupees in Crores)

Year	No. of Voted Grants	No. of Charged Appropriations	Total	Excess Expenditure
1974-75	23	5	28	230.32
1975-76	29	5	34	59.39
1976-77	8	8	16	20.65

2.4. The Committee note with satisfaction that there was a noticeable reduction in the excess expenditure disclosed in the Appropriation Accounts (Civil) during the year under review viz., 1976-77 as

compared to the previous two years. The aggregate amount of expenditure incurred in excess of the amounts authorised by Parliament under various Voted Grants and Charged Appropriations has shown a downward trend in that it aggregated Rs. 230.32 crores in 1974-75, Rs. 59.39 crores in 1975-76 and Rs. 20.65 crores in 1976-77. The Committee trust that sustained endeavours would be made by the Ministries/Departments to ensure that the position is not allowed to deteriorate. The Committee also expect that with the introduction of the Scheme of Integrated Financial Advisers and Separation of Accounts from Audit in stages during April, July and October 1976, the position would improve further.

2.5. The Committee will now proceed to deal with some individual cases of excess expenditure disclosed in the Appropriation Accounts.

APPROPRIATION ACCOUNTS (CIVIL), 1976-77
Department of Chemicals and Fertilisers

2.6. Grant No. 11—Ministry of Chemicals and Fertilisers.

(Revenue Section)

Voted Expenditure	Rupees
Original Grant . . . . .	..
Supplementary Grant . . . . .	..
Final Grant	32,01,000
Actual Expenditure	32,49,327
Excess	48,327

2.7. Explaining, in a note, the reasons for the excess expenditure, the Department of Chemicals and Fertilisers have, *inter alia*, stated as follows:

“The excess, which was a net result of excesses and savings under the various sub-heads under the Grant is mainly attributable to the excess under the sub-head ‘Office Ex-penses’. Against the sanctioned grant of Rs. 6,00,000 for this sub-head, the actual expenditure amounted to Rs. 8,01,572, thus resulting in an excess of Rs. 2,01,572. This excess was occasioned by substantially large and partly unanticipated expenditure on telephone bills, furni-ture, typewriters, desert coolers and air-conditioners. The

excess expenditure was on account of providing immediate telephone facilities at the additional accommodation for the staff of the Ministry, as well as for installation of new telephone connections, purchase of additional furniture, stationery, typewriters etc., for additional clerical and other posts created and/or filled up during the year.

At the Revised Estimates stage when the Grant was reviewed, it was expected that the additional expenditure on these items could be met from likely savings available within the Grant and as such no Supplementary Grant was sought. This anticipation, however, did not materialise fully; moreover unanticipated expenditure of Rs. 90,497 had further to be incurred during the month of March 1977, consisting of Rs. 54,624 for telephone charges, Rs. 16,766.40 for desert coolers and Rs. 18,873 for adjustment of the cost of air-conditioners purchased in 1973-74 by the then composite Ministry of Petroleum and Chemicals.

The gross excess of Rs. 2,01,572 under the sub-head A.1(5)—Office Expenses, was partly met from the savings under other sub-heads leaving an uncovered excess of Rs. 48,327 under the Grant.

The excess is less than 2 per cent of the total sanctioned Grant and may be recommended for regularisation by Parliament under Article 115(1)(b) of the Constitution."

2.8. The gross excess of Rs. 2,01,572 is attributable to sub-head A.1(5)—'Office Expenses' under Grant No. 11, which was occasioned by substantially large and partly unanticipated expenditure on Telephone bills, furniture, typewriters, desert coolers and air-conditioners. Against the original grant of Rs. 6,00,000 for this sub-head, the actual expenditure amounted to Rs. 8,01,572, which works out to nearly 33 per cent in excess of the final grant. The excess has been attributed, inter alia, to provision of immediate telephone facilities at the additional accommodation for the staff of the Ministry, as well as for installation of new telephone connections, purchase of additional furniture, stationery, typewriters etc., for additional clerical and other posts created and/or filled up during the year. Moreover, unanticipated expenditure of Rs. 90,497 was incurred during the month of March 1977, consisting of Rs. 54,624 for telephone charges, Rs. 16,766 for desert coolers and Rs. 18,873 for adjustment of the cost of airconditioners purchased in 1973-74 by the then composite Ministry of Petroleum and Chemicals.

2.9. The Committee feel that the requirements of telephone connections, furniture, stationery, typewriters etc., could have been realistically assessed and forecast as soon as the additional posts were created and/or filled and timely additional provisions should have been made in the Revised Estimates. Further, adjustment of the cost of air-conditioners purchased in 1973-74 could, in the opinion of the Committee, have also been anticipated. The Committee suspect that liabilities on account of cost of air-conditioners, desert coolers and telephone charges was deliberately underplayed at the time of Revised Estimates. The Committee would like the reasons for anticipatory savings under other sub-items to be investigated, so as to satisfy that there was no deliberate attempt to underestimate the cost of air-conditioners etc.

Ministry of Energy

2.10. Grant No. 29—Ministry of Energy.

Voted Expenditure	Rupees
Original Grant	53,22,000
Supplementary Grant	7,46,000
Final Grant	60,68,000
Actual Expenditure	60,82,926
Excess	14,926

2.11. In a note, explaining the reasons for excess expenditure, the Ministry of Energy have, *inter alia*, stated:

“The original grant of Rs. 53,22,000 was augmented by Supplementary Grants of Rs. 3,78,000 obtained in August 1976 and Rs. 3,68,000 obtained in March 1977. Against the final grant of Rs. 60,68,000, actual expenditure amounted to Rs. 60,82,926 leaving an uncovered excess of Rs. 14,926 which needs to be regularised.

The excess of Rs. 14,926 was mainly due to an excess expenditure of Rs. 42,230 under head A.1(2) (4)—Travel Expenses, under the Department of Coal. At the time of review of the Grant for going in for the last batch of Supplementary Demands for Grants for 1976-77, it was anticipated that savings would be available under other heads to cover the aforesaid excess expenditure. However, savings to the ex-

tent anticipated earlier did not materialise leading to an uncovered excess of Rs. 14,926. The excess constitutes only 0.23 per cent of the sanctioned Grant. In the circumstances, it is requested that the excess expenditure of Rs. 14,926 may kindly be recommended for regularisation by Parliament under Article 115(1) (b) of the Constitution."

2.12. The excess occurred mainly under the group-head 'A.1(2)(4) —Travel Expenses' under the Department of Coal. It is significant that but for savings under other group heads, the excess expenditure would have been as high as Rs. 42,230. The Committee are of the opinion that since there is always admittedly scope for economy in Travelling Expenses, the excess expenditure could have been minimised, if not altogether eliminated. In any case, the Committee would impress upon the Ministry to initiate timely action to provide fully for the anticipated expenditure, of course, with an eye on economy.

Department of Economic Affairs

2.13. Grant No. 38—Transfers to States and Union Territory Governments.

Revenue Section

Charged Expenditure	Rupees
Original Appropriation	1474,38,00,000
Supplementary Appropriation	53,43,98,000
Final Appropriation	1527,81,98,000
Actual Expenditure	1528,41,97,084
Excess	59,99,084

2.14. In a note furnished to the Committee, the Department of Economic Affairs have explained the reasons for excess expenditure as follows:

"The excess occurred under the sub-head 'C.2-States' share of additional Excise Duties in lieu of Sales-tax" on account of over-payment of Rs. 60 lakhs made to the Government of Madhya Pradesh on 31st March 1977. This resulted from clerical error in calculation of the amount payable to the State Government; it was partly offset by a saving

of Rs. 916 available in the Grant. The amount of Rs. 60 lakhs paid in excess was recovered from the State Government during 1977-78 by adjustment against its share of Additional Excise Duties in lieu of Sales-tax in that year.

In view of the circumstances explained above, the excess of Rs. 59,99,084 may kindly be recommended for regularisation by Parliament under Article 115(1)(b) of the Constitution of India."

2.15. The Committee note that the excess occurred under the sub-head "C. 2-States' share of Additional Excise Duties in lieu of Sales-tax" on account of over-payment of Rs. 60 lakhs made to the Government of Madhya Pradesh on 31 March 1977, due to clerical error in calculation of the amount payable to the State Government. Even though, according to the Ministry of Finance, the amount of Rs. 60 lakhs paid in excess was recovered from the State Government during 1977-78 by adjustment against its share of Additional Excise Duties in lieu of Sales Tax in that year, the Committee are of the view that this is a clear case of laxity in the financial control exercised at the supervisory level, for which responsibility should be fixed on individuals concerned for appropriate action. The Committee expect the Ministry of Finance to set an example in stricter financial control to other Ministries and/or Departments.

Department of Economic Affairs

2.16. Grant No. 39—Other Expenditure of the Ministry of Finance.

(Revenue Section)

Voted Expenditure	Rupees.
Original Grant	170,55,96,000
Supplementary Grant	14,54,00,000
Final Grant	185,09,96,000
Actual Expenditure	202,52,15,745
Excess	17,52,19,745

2.17. Explaining in a note the reasons for the excess expenditure, the Department of Economic Affairs have *inter alia*, stated as follows:

"The excess which was the net result of excesses and savings under various sub-heads in the Grant is mainly attribut-

able to the gross excess of Rs. 18,56,92,592 under head 'A.4(2)-Loss by Exchange'. The excess under the head occurred due to adjustments, largely pertaining to years prior to 1976-77, which had to be carried out by the Accounts Officers at the fag end of the financial year 1976-77 when no action could be taken to provide funds to cover the excess expenditure. However, the expenditure was notional in view of heavy receipts on account of gain by exchange during 1976-77 and earlier years.

The excess was met by savings to the extent of Rs. 1,04,72,847 under other sub-heads in the Grant leaving an uncovered excess of Rs. 17,52,19,745 which requires to be regularised.

In view of the circumstances explained it is requested that excess of Rs. 17,52,19,745 may kindly be recommended for regularisation in accordance with Article 115(1)(b) of the Constitution."

2.18. The final Grant relating to Loss by Exchange, administered by the Department of Economic Affairs, had been exceeded persistently during the years 1971-72 (Rs. 1.20,26,693) and 1972-73 (Rs. 7,89,77,414) and 1975-76 (Rs. 1.63,84,851).

2.19. Commenting on the excess expenditure during the year 1971-72, the Public Accounts Committee (1973-74) had, *inter alia*, observed in paragraphs 2.7 and 2.8 of their 96th Report (Fifth Lok Sabha) as follows:—

"2.7. A sum of Rs. 300.34 lakhs was adjusted under the head 'B. 14—Net Loss by Exchange on Remittance Transactions' without any budget provision. The explanation that no provision was made as no trend was discernible from the actuals of the previous years is not satisfactory. The Committee, however, find that a revised procedure of adjustment of such losses which will facilitate better budgeting is proposed to be introduced with effect from 1974-75. They would await the action taken in this regard."

"2.8. The Committee further desire that the reason for the loss by exchange should be gone into and reported to them within three months."

2.20. In their Action Taken Note furnished on 3-12-1973, the Department of Economic Affairs had stated:

"The net loss by exchange mainly represents the difference between the actual rupees spent on acquiring foreign ex-

change and the rupee equivalent at IMF rates or average rates at which the expenditure incurred abroad is adjusted under the various service heads—Railways, P&T, Defence and other Governments. In view of the floating of currencies the difference between the market rate and the IMF rate was widely fluctuating since 1971-72 and as the former is higher the difference which is adjusted as loss is also correspondingly large. The net loss adjusted in 1969-70 was only Rs. 32.95 lakhs and in 1970-71 Rs. 16 lakhs only. Precise estimation of this difference for purpose of making provision in lump under one Grant is difficult not only because of the wide fluctuations but also as the estimates for expenditure in foreign exchange are spread over numerous Grants of other Ministries. The existing procedure is also defective in that the expenditure actually adjusted under other Grants is understated to the extent of the net loss by exchange.

The Revised procedure to be introduced from 1974-75 will remove these anomalies. Under this procedure the provision made for expenditure in foreign exchange in the various Grants will be made at a more realistic rate to take care of the market rates from time to time. Budgetary control will also be facilitated as the various Ministries who actually incur expenditure in foreign exchange will ensure that the budget provision made in their Grants is adequate to cover the expenditure including the element of loss by exchange. A copy of instructions issued in regard to the revised procedure will be furnished to the Committee in due course.

Even in the current year certain steps have been taken to correct to some extent the wide disparity between the prevailing market rate and the rate at which transactions are actually brought to account under the various Grants. For instance, even though the average market rate for pound sterling has been Rs. 18.89 per pound ever since 1972 the conventional rate at which the transactions are adjusted in accounts in terms of Account Code continued to Rs. 18 per pound (Which is IMF rate). This conventional rate has been revised with effect from 1-11-1973 to Rs. 18.9 per pound for accounting purposes."

2.21. Commenting on erroneous adjustments in accounts, which resulted in a net excess of Rs. 163.85 lakhs under sub-head

'B. 5(3)—Loss by Exchange' of Grant No. 41 during the year 1975-76, the Public Accounts Committee (1977-78) had observed in paragraph 2.39 of their 38th Report (Sixth Lok Sabha):

“Even though the excess expenditure of Rs. 163.85 lakhs under 'Grant No. 41—Other Expenditure' again administered by the Budget Division of the Ministry of Finance resulting from erroneous adjustment in accounts, does not require regularisation, in terms of paragraph 7 of the 16th Report of the Public Accounts Committee (First Lok Sabha), the Committee are concerned to note that timely reconciliation of accounts was not done as a result of which the erroneous adjustment came to notice only after the close of the accounts for 1975-76, when it could not be rectified. The Committee would like the Ministry of Finance to examine the lapse with a view to seeing that such lapses do not recur in future.”

22.2. In their Action Taken Note* dated 11-5-1978 furnished to the Committee, the Department of Economic Affairs have stated:

“The matter has been taken up with the accounting authorities for timely reconciliation in future to facilitate remedial action.”

2.23. The excess under Grant No. 39 is mainly attributable to the gross excess of Rs. 18.57 crores under head 'A.4(2)—Loss by Exchange' and occurred due to adjustments, largely pertaining to the years prior to 1976-77, carried out during the financial year 1976-77. There was a net excess of Rs. 1.64 crores under the sub-head 'B.5(3)—Loss by Exchange' during the year 1975-76 also. It is not clear how the adjustments of losses relating to previous years could not be assessed and fully provided for during the year 1976-77. Even though the expenditure, as contended, was notional in view of the heavy receipts on account of gain by exchange during 1976-77 and earlier years, the Committee have reasons to believe that the revised procedure introduced from 1974-75 for adjustment of such losses has not had the desired effect in streamlining the budgeting procedures. That this should be so despite earlier comments by the Committee and the instructions issued by the Ministry of Finance, would suggest that further steps are necessary to rationalise the existing budgetary and reconciliation procedures, so as to conform to a fixed periodicity not exceeding beyond one year. The Committee desire a specific report in this regard.

*Not vetted in Audit.

Department of Economic Affairs

2.24. Grant No. 40—Loans to Government Servants etc.

(Capita Section)

Voted Expenditure	Rupees
Original Grant.	47,00,00,000
Supplementary Grant.	28,85,00,000
Final Grant.	75,85,00,000
Actual Expenditure	76,95,22,214
Excess	1,10,22,214

2.25. In a note explaining the reasons for the excess expenditure, the Ministry of Finance have stated:

“The Grant ‘Loans to Government Servants, etc.’ is a composite one and all the Ministries/Departments operate on the provisions made on their behalf under the various sub-heads in this Grant. The original Grant of Rs. 47 crores was augmented by obtaining a Supplementary Grant of Rs. 28.85 crores in March, 1977. Against the final grant of Rs. 75.85 crores, the actual expenditure amounted to Rs. 76,95,22,214 leading to an excess of Rs. 1,10,22,214.

The excess occurred under sub-head ‘AA.1-House Building Advances’. The provision of Rs. 10 crores made on this account in the original Budget was augmented by obtaining a Supplementary Grant of Rs. 358.86 lakhs in March, 1977. The actual expenditure amounted to Rs. 23,66,80,436 resulting in an excess expenditure of Rs. 10,07,94,436.

While the Ministry of Works & Housing exercise overall control for the grant of such advances, actual releases are made by the various Ministries/Departments and offices under them. The excess expenditure occurred on account of the following:

- (i) Heavy drawals due to spurt in construction activities on account of easy availability of cement etc.; and
- (ii) allotment of larger number of ready built flats by the Delhi Development Authority and other housing societies/agencies (payment to be made therefor is time bound or else the allotment is cancelled) and utilisation of the full amount sanctioned during the year.

Power to sanction house building advances to Central Government servants has been decentralised with effect from 1 April, 1978; individual Ministries/Departments will now be responsible for the control over disbursement of advances to their staff against the funds allotted to them.

Taking into account savings available under other sub-heads in the Grant, the net excess came down to Rs. 1.10,22,214 which requires to be regularised.

The recommendation of the Public Accounts Committee is sought to the regularisation of excess expenditure of Rs. 1,10,22,214 under Article 115(1)(b) of the Constitution."

2.26. The excess expenditure of Rs. 10.08 crores occurred under sub-head "A. 1-House Building Advances" against the final grant of Rs. 13.59 crores under this sub-head. The excess represents 74.17 per cent of this final grant. There was a similar excess of Rs. 4.18 crores under sub-head 'E.A. Loans to Government Servants etc.—House Building Purposes' during the year 1972-73 also. As in the past, the excess is attributed, inter alia, to spurt in construction activity and allotment of large number of ready built flats by the Delhi Development Authority and other housing societies/agencies. The Committee do not fully appreciate the reasons advanced for such huge excess of Rs. 13.59 crores. While realising that the actual releases of house building advances are made by the various Ministries or Departments and offices under them, the Committee also observe that all individual applications have to be approved by the Ministry of Works and Housing. The Ministry of Works and Housing, who thus exercise overall control for the grant of such advances, could have minimised the excess expenditure by more precise quantification of the additional anticipated requirements while augmenting the original budget provision. That the uncovered excess was brought down to a figure of Rs. 1.10 crores, only highlights the extent to which the estimates were over-pitched in so far as other sub-heads in the grant are concerned.

2.27. The Committee find that with effect from 1 April, 1978, power to sanction house building advances to Central Government servants has been decentralised and that individual Ministries or Departments will now be responsible for control over disbursement of advances to their staff against the funds allotted to them. The Committee would like to observe through the next year's Appropriation Accounts how far the decentralisation has helped to improve the overall Budgetary control.

Ministry of Home Affairs

2.28. Grant No. 52—Police.

(Revenue Section)

Charged Appropriation	Rupees
Original Appropriation	20,000
Supplementary Appropriation . . . . .	..
Final Appropriation	20,000
Actual Expenditure	35,333
Excess	15,333

2.29. In a note, explaining the reasons for the excess expenditure, the Ministry of Home Affairs, have, inter alia, stated:

“The original grant was Rs. 20,000/-. The actual expenditure, however, amounted to Rs. 35,333/- resulting in an excess of Rs. 15,333/-.

The overall excess of Rs. 15,333/- which was the net result of excesses and savings under the various sub-heads in the Grant, occurred under the following sub-heads:

A.2(1)—Directorate General, Border Security Force:

Sanctioned Grant Rs.	Actual Expenditure Rs.	EXCESS Rs.
	25,333	25,333

This expenditure relates to the adjustment of decretal dues awarded by the Motor Accidents Claims Tribunal, Sriganganagar, in an accident on 1-1-1969 involving a Border Security Force—vehicle. On rejection of the appeal filed in the Rajasthan High Court on 11-12-1972, it was decided not to go in for further appeal and an advance of Rs. 25,320/- was sanctioned from the Contingency Fund of India on 23-2-1974 for payment of the decretal amount. A Supplementary Appropriation of Rs. 26,000/- was also obtained during March 1974 to recoup the advance to the Fund. Meanwhile the decree holder got the attachment order served on the State Bank of Bikaner and Jaipur at Sriganganagar, which was conducting Government treasury business. The Bank had made the payment on 5-10-1972 and submitted the voucher to the local Treasury.

As the voucher and details of the amount were not furnished by the Treasury to the Accountant General, Rajasthan along with the accounts for the month in which the payment was made by it, the amount paid had to be kept under 'suspense' and was adjusted finally only when the voucher and the details were furnished by the Chief Accounts Officer, Incharge Treasuries in October 1976 after the matter was pursued by the Accountant General.

Since the excess in 1976-77 has resulted exclusively from an omission to bring to account an expenditure for which Supplementary Appropriation obtained during 1973-74 remained unutilised in that year, it may not require regularisation on the analogy of recommendation in paragraph 4.26 of the 45th Report of the Public Accounts Committee (Third Lok Sabha—1965-66)."

2.30. The Committee observe that the excess expenditure of Rs. 15,333 incurred under Charged Appropriation No. 52, is mainly attributable to sub-head 'A.2(1)—Directorate General, Border Security Force' and relates to the adjustment of decretal dues awarded by a Motor Accidents Claims Tribunal in an accident on 1-1-1939 involving a Border Security Force vehicle. The Bank which was conducting Government treasury business, made the payment on 5-10-1972 against an attachment order. The amount paid had to be kept under 'suspense' and was adjusted finally only when the voucher and the details were furnished by the Chief Accounts Officer, Incharge Treasuries in October 1976, after the matter was pursued by the Accountant General, Rajasthan. This case of avoidable excess underlines the need to reconcile and resolve promptly the discrepancies in monthly statement of accounts with supporting vouchers and details of the debit and to curb the tendency of transferring debits to 'suspense' head instead of clearance thereof to the final heads of account. The Committee would like the Ministry to examine the reasons for the lapse with a view to fixing responsibility for appropriate action. The Committee also desire that Details about the other sub-head(s) from which savings were available, which have not been furnished in the explanatory note need elucidation now.

2.31. Even though the excess during 1976-77 which have resulted exclusively from an omission to bring to account an expenditure for which Supplementary Appropriation was obtained during 1973-74, but it remained unutilised in that year, and does not require regularisation on the analogy of recommendation contained in paragraph 4.26 of the 45th Report of the Committee (Third Lok Sabha), read with

paragraph 7 of the Committee's 16th Report (First Lok Sabha), the Committee are unable to understand why such an omission could not be accounted for earlier than in October 1976. The Committee would like the Ministry to take effective remedial measures to obviate recurrence of such accounting omissions under advice to them.

Ministry of Home Affairs

2.32. Grant No. 57—Andaman and Nicobar Islands.

(Revenue Section)

Voted Expenditure	Rupees
Original Grant	21,18,10,000
Supplementary Grant.	2,05,32,000
Final Grant	23,23,42,000
Actual Expenditure	24,27,55,310
Excess	1,04,13,310

2.33. In a note, explaining the reasons for the excess expenditure, the Ministry of Home Affairs have stated:

"The Original Grant of Rs. 21,18,10,000 under Revenue Section (Voted) was augmented by obtaining a Supplementary Grant of Rs. 2,05,32,000 in March 1977. Against the Final Grant of Rs. 23,23,42,000 the actual expenditure amounted to Rs. 24,27,55,310 resulting in an excess of Rs. 1,04,13,310. This excess is the net result of excesses and savings under the various heads of the Grant and occurred mainly under the following head for the reasons given thereunder:—

Major Head '259'

A.12-Public Works:

A.12(5)-Suspense

A.12(5)(1)-Stock (Rs. 1,40,15,660)

The excess was mainly due to liquidation of past liabilities. Owing to the peculiar climatic conditions in the territory and uncertain shipping services, the outlying divisions build up their stocks in the fair season when transshipment of materials can be done without much difficulty. Debits for materials are received long after procurement and supply to the various divisions. The excess was also partly due to the system of gross budgeting under this head

and double-accounting of the debits in the case of materials transferred from one division to another, i.e., once by the purchasing division and again by the transferee division. The Andaman and Nicobar Administration have been advised to streamline the system of estimation of fund requirements and control of expenditure especially to ensure that adequate provision is made for past liabilities and that expenditure over and above the sanctioned budget is not incurred.

The above excess amounting to Rs. 1,40,15,660 was met to a certain extent by savings from other heads of the Grant, leaving an uncovered excess of Rs. 1,04,13,310.

In view of the circumstances explained above, the excess of Rs. 1,04,13,310 may kindly be recommended for regularisation by the Parliament under Article 115(1)(b) of the Constitution."

2.34. The Final Grant relating to the Andaman and Nicobar Islands, administered by the Ministry of Home Affairs had been exceeded persistently during the previous years also. The following table indicates the excesses that occurred under this Grant from 1967-68 onwards:

(Rupees in lakhs)

Year	Excess Expenditure
1967-68	64.51
1968-69	23.34
1969-70	22.62
1972-73	91.58
1973-74	43.22*
1974-75	78.51
1975-76	148.08

*Out of this amount, a sum of Rs. 24.03 lakhs did not require regularisation by Parliament, the excess having been caused by duplicate booking/mis-classification of expenditure.

2.35. Commenting on the excess expenditure under this Grant during the year 1974-75, the Public Accounts Committee (1976-77) had, in paragraph 2.29 of their 227th Report (5th Lok Sabha) *inter alia*, observed:

“The Committee are once again constrained to record their displeasure over the persistent excesses that continue to occur, year after year, in the grant relating to the Andaman and Nicobar Islands administered by the Ministry of Home Affairs. During the year under review, a net excess expenditure of Rs. 78.51 lakhs had been incurred by the Andaman and Nicobar Administration, as against Rs. 91.58 lakhs and Rs. 42.22 lakhs respectively during each of the preceding two years. The excess had occurred mainly, under the sub-heads ‘A-12(5)(1)—Stock’ (Rs. 31.41 lakhs) and ‘A.12(5)(2)—Purchases’ (Rs. 78.54 lakhs). That the excess expenditure under these two sub-heads should work out respectively to 16 per cent and 65 per cent of the final provisions indicates the extent to which the estimation of requirements had been defective. As in the previous years, the bulk of the excess expenditure during 1974-75 was on account of failure to make adequate provision for past liabilities. The Committee are unhappy with this state of affairs and would urge the Ministry to take earnest measures to check on apparently persistent tendency on the part of the Andaman and Nicobar Administration not to make adequate provision for past liabilities. The Committee would like to be informed of the concrete measures taken to effect improvement.”

2.36. In their Action Taken Note dated 14 April 1977 on the above recommendation, the Ministry of Home Affairs informed the Committee that necessary instructions had been issued on 14-4-1977 to the Union Territory Administration to ensure that adequate provision was made for past liabilities and similar excesses did not recur in future. The Action Taken Note is reproduced below:

“The matter has been examined in consultation with the Ministry of Works and Housing concerned with making the Budget provision under the above sub-heads, and the Andaman and Nicobar Islands Administration. In order to ensure that adequate provision is made for past liabilities and similar excesses do not recur in future, necessary

instructions have been issued to the Administration vide D.O. letter No. 15030/10/76-AC. II dated 14-4-1977. However, this problem would be overcome to a large extent after installation of departmentalised accounting system which is likely to be introduced soon."

2.37. The Committee note that a gross excess expenditure of Rs. 140.16 lakhs was incurred under head "259.A.12(5)(1)—Public Works—Suspense—Stock". The net excess after taking into account savings from other heads of the grant, comes to Rs. 104.13 lakhs. As in the previous years, the excess was mainly on account of failure to make adequate provision for past liabilities. The Committee, while taking adverse note of this state of affairs in August 1976, had urged the Ministry to take earnest measures to check the apparently persistent tendency on the part of the Administration not to make adequate provision for past liabilities. That such instances of failure to make adequate provision for adjustment of past liabilities should continue to recur inspite of repeated comments by the Committee in the past is regrettable. It seems the codal instructions and Government directions on proper maintenance of liability registers to keep a strict watch over the past liabilities as also highlighting the year-wise break-up of the old liabilities in proposals for Budget/Revised Estimates are observed more in breach than in compliance by the concerned Estimating Authorities. This case of avoidable excess expenditure underlines once again the need for a closer liaison between the indenting authorities, procurement agencies and/or Accounts Organisation, as the case may be. The Committee would like to be informed of the concrete measures taken to avoid recurrence of such excesses in future. The Committee also desire that the effect of installation of departmentalised accounting system introduced in stages during 1976 in overcoming this problem may be critically assessed under advice to them.

Ministry of Information & Broadcasting

2.38. Grant No. 66—Broadcasting.

(Revenue Section)

Voted Expenditure	Rupees
Original Grant	40,39,39,000
Supplementary Grant	17,64,69,000
Final Grant	58,04,08,000
Actual Expenditure	58,11,10,524
Excess	7,02,524

2.39. Explaining, in a note, the reasons for the excess expenditure, the Ministry of Information and Broadcasting have, *inter alia*, stated as follows:

“The excess of Rs 7,02,524 which was the net result of excesses and savings under various heads of the Grant, occurred mainly under head ‘A.1(4)-Operation and Maintenance’. The original grant of Rs. 371.32 lakhs under this head was augmented by Supplementary Grant of Rs. 85 lakhs in March 1977. However, due mainly to issue of more stores and accelerated progress of work, actual expenditure under this head amounted to Rs. 527.47 lakhs. The expectation that the excess expenditure would be covered by savings under other heads in the Grant did not fully materialise resulting in an uncovered excess of Rs. 7,02,524.

In view of the circumstances explained, it is requested that the excess of Rs. 7,02,524 may kindly be recommended for regularisation under Article 115(1)(b) of the Constitution.”

2.40. This grant had been exceeded persistently during the previous years also. The following table indicates the excesses that occurred under this grant from 1973-74 onwards:

Rupees in lakhs	
Year	Excess expenditure
1973-74	29.50
1974-75	52.18

2.41. The Committee find that the overall excess under Grant No. 66—Broadcasting, occurred mainly under head ‘A.1(4)—Operation and Maintenance’. After setting off savings, it comes to Rs. 7.03 lakhs. It is significant that but for the savings, the real excess would have been much more, i.e., Rs. 71.15 lakhs, representing 15.6 per cent of the total grant. The Committee note that excess under this grant administered by the Ministry of Information and Broadcasting has been persistent. The figures of excess for the year 1973-74 aggregated to Rs. 29.50 lakhs and in 1974-75 to Rs. 52.18 lakhs. The

excess has been attributed mainly to issue of more stores and accelerated progress of works, anticipated expenditure on which, in the opinion of the Committee, is more easily ascertainable, at least at the time of framing of the Revised Estimates. The Committee are concerned at this apparently persistent tendency on the part of the Ministry of Information and Broadcasting not to foresee and make adequate provision for anticipated needs. The Committee would urge the Ministry to take earnest measures to effect improvement in future.

**Ministry of Shipping & Transport
(Roads Wing)**

2.42. Grant No. 80—Roads,

(Revenue Section)

Voted/Charged Expenditure	Rupees.
<i>Voted Expenditure</i>	
Original Grant.	80,66,54,000
Supplementary Grants	4,76,48,000
Total Grant.	85,43,02,000
Actual Expenditure.	85,50,20,750
Excess	7,18,750
<i>Charged Expenditure</i>	
Original Appropriation	10,000
Supplementary Appropriation	1,00,000
Total Appropriation	1,10,000
Actual Expenditure.	3,00,520
Excess	2,00,520

2.43. The Explanatory Note furnished in regard to the excess expenditure, by the Ministry of Shipping and Transport (Roads Wing) is reproduced below:

“Voted portion: The original grant of Rs. 80,66,54,000/- was augmented by obtaining a supplementary grant of Rs. 4,76,48,000/- in March 1977. Against the final grant of Rs. 85,43,02,000/- the actual expenditure amounted to Rs. 85,50,20,750/- leaving an uncovered excess of Rs. 7,18,750/-. This excess of Rs. 7,18,750/- was the net

result of excesses and savings under various heads in the Revenue Section under voted portion of the Grant.

The excess is mainly attributable to the gross excess of Rs. 2,90,31,201/- on the maintenance and repairs of National Highways covering the sub-heads A.2(1)(1)-Maintenance by Roads Wing (Rs. 2,75,58,234/-) and A.2(1)(2)-Maintenance by Border Road Development Board (Rs. 14,72,967/-). The original Budget provision of Rs. 19,42,00,000/- was augmented by a Supplementary Grant of Rs. 1,32,01,000/- in March 1977. Against the total sanctioned grant of Rs. 20,74,01,000/- [Rs. 20,66,42,000/-] for sub-head A.2(1)(1)-Maintenance by Roads wing and Rs. 7,59,000 for Sub-head A.2(1)(2)—Maintenance by Border Roads Development Board], however, the actual expenditure amounted to Rs. 23,64,32,201/- [Rs. 23,42,00,234/- under sub-head A.2(1)(1)-Maintenance by Roads Wing and Rs. 22,31,967/- under sub-head A.2(1)(2)-Maintenance by BRDB] leading to an excess of Rs. 2,90,31,201/-. This excess was mainly due to extensive repair works required to be undertaken on the National Highways damaged by the heavy rains in various parts of the country and increase in the cost of material and labour for maintenance of works. The gross excess of Rs. 2,90,31,201/- under these sub-heads was partially met from savings available under other heads leaving a net excess of Rs. 7,18,750/- which is required to be regularised.

Charged portion: The original appropriation of Rs. 10,000/- was augmented by a Supplementary appropriation of Rs. 1,20,000/- obtained in March 1977. Against the final appropriation of Rs. 1,30,000/- the actual expenditure, however, amounted to Rs. 3,90,520/- leaving an uncovered excess of Rs. 2,60,520/-. The excess of Rs. 2,60,520/- was the net result of excesses and savings under various heads in the charged portion of the Grant under Revenue Section.

The excess is mainly attributable to the gross excess of Rs. 2,71,041/- under the head A.4(1)(1)-Roads in Delhi. Against an appropriation of Rs. 19,000/- obtained in March 1977, the actual expenditure, however, amounted to Rs. 2,90,041/- leading to an excess of Rs. 2,71,041/- which occurred on account of decretal awards which could not be foreseen earlier. The excess was, however, partially set off by savings under the other sub-heads leaving a net excess of Rs. 2,60,520/- which is required to be regularised.

In view of the explanation given above, the excess amount of Rs. 7,18,750/- under voted portion and Rs. 2,60,520/- under charged portion may kindly be recommended for regularisation by Parliament under Section 115(1)(b) of the Constitution."

2.44. The excesses that occurred under this head continuously from 1959-60 onwards are indicated below:

(Rupees in lakhs.)

Year	Excess
1959-60	13.97
1960-61	16.29
1961-62	11.15
1962-63	36.26
1963-64	15.99
1964-65	32.63
1965-65	39.17
1966-67	63.12
1967-68	35.80
1968-69	35.20
1969-70	81.60
1970-71	154.97
1971-72	258.03
1972-73	40.32
1973-74	6.75*
1974-75	..
1975-76	257.36 (gross)

*Out of this excess an amount of Rs. 5.80 lakhs did not require regularisation, the excess having been caused by misclassification of expenditure.

2.45. Commenting on the excess expenditure under this Grant during the year 1975-76, the Public Accounts Committee in paragraphs 2.54, 3.18 and 3.19 of their 38th Report (Sixth Lok Sabha) observed as follows:

"2.54. The Committee note that the gross excess under the head 'A.(1)-Maintenance of National Highways' of

Rs. 257.36 lakhs represents about 14.3 per cent of the original budget provision. The excess under this head has almost become a recurring feature. The reasons attributable to the excess are that extensive repair works were undertaken on the National Highways damaged by heavy rains in various parts of the country and increase in cost of material and labour for maintenance works as compared to the norms prescribed by the Central Government. The maintenance and repair works are undertaken by the various State Governments who are the executing agencies of the Central Government for the development and maintenance of the National Highways. The Committee are unable to understand why the increase in cost of material and labour could not be anticipated in close and functional coordination with the State Highway authorities and fully provided for while framing the Revised Estimates, if not earlier. It seems the instructions issued in the past have had little effect in improving the budgetary procedures and controls in the Ministry. The Committee would in particular like the Ministry to examine critically specific steps taken in the implementation of the instructions issued repeatedly by them to tighten up the budgetary procedures and controls in order to identify as to what further steps are necessary to contain the recurring phenomenon of excesses over voted grants/charged appropriations."

- "3.18. The Committee are once again constrained to observe that inspite of repeated recommendations by them for an expeditious examination of the suggestions made by the Task Force over 3 years back, no finality has yet been reached in this matter of importance, with the result that excess expenditure mainly in the grant relating to the maintenance of national highways has become a recurring feature over the years. Surprisingly, the excesses under the head 'A.2(1)-Maintenance of National Highways' during the year 1975-76 were as high as Rs. 2,57,35,778. In their explanatory note, the Ministry of Shipping and Transport (Roads Wing) have indicated that 'the excess was mainly due to extensive repair works undertaken on the national highways damaged by heavy rains in various parts of the country and increase in cost of material and labour for maintenance works as compared to the norms prescribed by the Central Government'. The maintenance and repair works were undertaken by the various State Governments

who are the executing agencies of the Central Government for the development and maintenance of National Highways.”

“3.19. The Committee would urge that final action on the recommendations specially aimed at streamlining budgetary procedures be initiated without further loss of time so as to ensure sounder budgetary control than what exists at present, particularly in respect of certain grants administered by the Ministry of Shipping and Transport. The Committee have also dealt with particular excesses relating to the grant ‘Maintenance of National Highways’ that occurred during 1975-76 separately in Chapter II of this Report.”

2.46. In their Action Taken Note dated 11 July 1978, the Ministry of Shipping and Transport (Roads Wing) have, *inter alia*, stated as follows:

“The excess of Rs. 257.36 lakhs on the maintenance and repairs of National Highways during 1975-76 has been arrived at as follows:

Original Grant	Rs. 1800.00 lakhs
Supplementary Grant	Rs. 82.53 lakhs
Final Grant	Rs. 1882.53 lakhs
Actual Expenditure	Rs. 2139.89 lakhs
Excess	Rs. 257.36 lakhs

The provision during a particular year is assessed both at the Budget Estimates stage and the Revised Estimates stage taking into account the actual requirements after due allowance for increase in the cost of labour and materials and other special circumstances like floods cyclones etc. from time to time but the provision finally accepted depends on the overall financial resources position and due to financial constraints, it is invariably less than the requirements assessed for this purpose. This will be clear for 1975-76 in this regard from the table below:

	Funds assessed	Funds provided
	(Rupees in lakhs)	
Budget Estimates, 1975-76	1990.00	1800.00
Revised Estimates 1975-76	2089.00	1887.00

The actual expenditure of Rs. 21.40 crores was thus very near to the amount assessed at the R.E. stage for 1975-76. However, as stated above, in view of the financial constraints, the full requirement could not be accepted.

The Ministry thus did try to make as near an estimate of the anticipated expenditure as possible and if the funds equal to the Ministry's assessments at the R.E. stage had been provided fully, the actual expenditure would have been very near to the anticipated requirements. However, financial constraints stood in the way. Despite this, however, Government are fully alive to the requirement of the need and urgency for preventing excesses over sanctioned budget grants and are not only tightening the various administrative instructions for preventing these excesses, but are also taking steps to evolve a revised procedure to solve this problem *vide* paras 5-6 below.

* * * *

In regard to the general question of excesses over sanctioned grants in respect of National Highways, it may be stated that though the expenditure on the development and maintenance of National Highways is met by the Central Government actual execution is done by the State Governments as agents of the Central Government. The expenditure on these works is also incurred by the State Governments through their officers. Till September 1976, the expenditure incurred by them was debited directly against the Central Cash balances. As a result in incurring the expenditure, the States were not subject to any budgetary control.

In order to overcome this situation, action is in hand to evolve a revised procedure for payment for National Highways on the basis of recommendations of a 'Task Force' appointed by the Government to go into the general question of excesses over sanctioned grants and steps necessary to prevent such excesses. The proposed revised procedure is being worked out in consultation with Ministry of Finance/Ministry of Law and C&AG.

Government is thus fully alive to the problem and are taking necessary action. It is hoped that as a result of all these measures the problem may be solved soon."

2.47. The Committee find that the excess expenditure under 'Voted Portion' of Grant No. 80—Roads, is mainly attributable to gross

excess of Rs. 290.31 lakhs on the maintenance and repairs of National Highways covering the sub-heads 'A.2(1)(1)—Maintenance by Roads Wing' (Rs. 275.58 lakhs) and 'A.2(1)(2)—Maintenance by Border Road Development Board' (Rs. 14.73 lakhs). The excess has, as in the past, been attributed to extensive repair works required to be undertaken on the National Highways damaged by heavy rains in various parts of the country and increase in the cost of material and labour for maintenance of works. In the Action Taken Note received in July 1978 in reply to the earlier observations made by the Committee in their 38th Report (Sixth Lok Sabha), the Ministry of Shipping and Transport (Roads Wing) have sought to explain that "the provision during a particular year is assessed both at the Budget Estimates stage and the Revised Estimate stage taking into account the actual requirements after due allowance for increase in the cost of labour and materials and other special circumstances like floods, cyclones etc., from time to time but the provision finally accepted depends on the overall financial resources position and due to financial constraints, it is invariably less than the requirements assessed for this purpose." In support of this contention, it has been indicated that against the assessed provision of Rs. 1990 lakhs for 1975-76 at the time of budget estimates, a sum of Rs. 1800 was provided, and against the figure of Rs. 2089 lakhs at the revised estimates stage, the funds provided were Rs. 1887 lakhs. Presumably, the reduction, which works out to about 10 per cent of the assessed funds would have been made deliberately with an eye on economy, for which there is admittedly always some scope for such works. This belief is supported by the fact that normally control over expenditure is to be exercised through scrutiny of estimates, works registers and schedule of rates, but it is seen from the Advance Audit Report for 1976-77 that "no works registers were maintained by the Pay and Accounts Officer (National Highways) in respect of the year 1976-77."

The Committee take note of the Ministry's hapless position and its inability to get funds fully provided for, as assessed. The Committee desire that this aspect needs to be fully gone into by the Government in the Ministry of Finance (Budget Division). They would like to have a detailed clarification on how far the financial constraints stood in the way of making adequate provision of fund-requirements of the Ministry of Shipping and Transport.

2.48. The Committee have further been informed by the Ministry that "till September 1976, the expenditure incurred by State Governments as executing agencies of the Central Government, for development and maintenance of National Highways was debited directly against the Central cash balances and the States were not subject to

any budgetary control." In order to overcome this situation, action to evolve a revised procedure for payment for National Highways on the basis of recommendations of the Task Force is reportedly in hand. The Committee also find that the proposed revised procedure is being worked out in consultation with the Ministry of Finance/Ministry of Law and the Comptroller and Auditor General.

2.49. It is rather distressing that in spite of repeated exhortations by the Committee for an expeditious examination of the suggestions, made about 4 years back, by the Task Force constituted nearly six years ago, no finality has yet been reached in this vital matter. The Committee have dealt with this aspect in a greater detail in para 3.12 of the subsequent Chapter.

2.50. The Committee find that against the original charged appropriation of Rs. 10,000 which was augmented by a Supplementary Appropriation of Rs. 1,20,000 under Grant No. 80—Roads, the actual expenditure amounted to Rs. 3,90,520 thereby leaving an uncovered excess of Rs. 2,60,520. The excess is mainly attributable to the gross excess of Rs. 2,71,041 under the sub-head A4(1)(1)—Roads in Delhi. Against an Appropriation of Rs. 19,000 obtained in March 1977, the actual expenditure amounted to Rs. 2,90,041, leading to an excess of Rs. 2,71,041. It is significant that the gross excess over final grant under this sub-head works out to 208.40 per cent, which is rather alarming. The Committee would like to have further details as to why the decretal awards could not be foreseen at the time of revised budget allocation and the exact point of time when the awards in question were announced.

MINISTRY OF STEEL & MINES

(DEPARTMENT OF STEEL)

2.51 Grant No. 83—Department of Steel.

Charged Expenditure	Rupees
Original Appropriation	2,00,00,000
Supplementary Appropriation	Nil
Final Appropriation	2,00,00,000
Actual Expenditure	2,05,33,179
Excess	5,33,179

2.52 In a note furnished to the Committee, explaining the reasons for the excess expenditure, the Department of Steel have, *inter alia*, stated:

“The excess of Rs. 5,33,139 occurred under sub-head ‘AAI(4)-Acquisition of land (Acquisition of Land for Durgapur Steel Plant)’ on account of compensation payment to the owners of land acquired for Durgapur Steel Plant. The payments were effected in March 1977 in pursuance of Court awards. The Budget provision of Rs. 10 lakhs made in the ‘Voted’ section of the Grant for this purpose could not be used as these payments, in terms of article 112(3) (f) of the Constitution were ‘Charged’ on the Consolidated Fund of India. As there was no time for obtaining a Supplementary Appropriation, these payments led to the excess of Rs. 5,33,139 while on the ‘Voted’ section there was corresponding saving.

The excess of Rs. 5,33,139 under ‘Charged portion’ in Capital Section of Grant may kindly be recommended for regularisation by Parliament under Article 115(1) (b) of the Constitution.”

2.53. The Committee are surprised to note that the excess expenditure of Rs. 5.33 lakhs occurred under sub-head “AAI(4)—Acquisition of Land (Acquisition of Land for Durgapur Steel Plant)” under Grant No. 83—Department of Steel in fulfilment of Court awards, as the budget provision of Rs. 10 lakhs was wrongly made for this purpose in the ‘Voted’ Section of the Grant, even though payment incurred in pursuance of awards of Court is correctly debitable as ‘Charged’ expenditure as per the provisions of Article 112(3)(F) of the Constitution. This clearly indicates an utter callousness in following basic budgetary principles and procedures of classification. The Committee are at a loss to understand how this incorrect allocation remained undetected before the closure of accounts. They would like the Ministry to examine the reasons for this lapse, particularly at the supervisory level, with a view to fixing responsibility for appropriate action against those concerned under advice to the Committee.

Ministry of Works and Housing

254. Grant No. 96—Housing and Urban Development.

Capital Section:

Charged Expenditure	Rupees
Original Appropriation	31,66,00,000
Supplementary Appropriation	20,51,000
Final Appropriation	31,86,51,000
Actual Expenditure	32,01,10,638
Excess	14,59,638

2.55. In a note, explaining the reasons for excess expenditure, the Ministry of Works and Housing have, *inter alia*, stated:

“The original appropriation of Rs. 31,66,00,000 was augmented by obtaining Supplementary Appropriation of Rs. 20,51,000 in March 1977. Against the final Appropriation of Rs. 31,86,51,000, the actual expenditure amounted to Rs. 32,01,10,638, leaving an uncovered excess of Rs. 14,59,638, excess occurred mainly under the following heads:

Head	Total Appropriation	Actual Expenditure	Variation
	Rs.	Rs.	Rs.
AA Capital Outlay on Housing			
AA 1 Government Residential Buildings			
AA 1 (1) Construction			
AA 1 (1)(1) Buildings			
AA 1 (1)(1)(1) Works and Housing			
<i>Charged</i>			
O : 5,00,000			
S : 18,10,000	23,10,000	36,02,731	+12,92,731

The excess occurred mainly due to payment in February/ March 1977, of two court decrees aggregating Rs. 9.80 lakhs for enhanced compensation and interest charges awarded for procurement of land in Village Mohammadpur-Munirka. The examination of the court judgements in consultation with the Ministry of Law and Integrated

Finance necessarily took some time resulting in delay in the sanctioning of expenditure for payment in satisfaction of these awards, by which time it had become too late to include these cases in the last batch of Supplementary Appropriation which had already been processed and finalised. Provision for extra funds, therefore, could not be made.

	Total Appropriation	Actual Expenditure	Variation
	Rs.	Rs.	Rs.
CC. Loans and Advances to State Governments			
CC. 1.—Loans for Central Plan Schemes			
CC. 1 (2) Development of National Capital Region	1,00,00,000	1,75,00,000	+75,00,000

The Budget provided for Rs. 1 crore as loans to the State Government in connection with the Development of a 'National Capital Region'. The requirements of one of the State Governments (Haryana) on this account for 1976-77 having gone up by Rs. 75 lakhs, it was decided to provide additional funds by re-appropriation, as saving of a like amount was anticipated under the 'Integrated Urban Development in Areas of National Importance'. However a total amount of Rs. 68,57,400 only could be appropriated to the head leaving excess of Rs. 6,42,600 under the head.

In view of the circumstances explained above, the excess of Rs. 14,59,638 over the sanctioned Appropriation may kindly be recommended for regularisation by Parliament under Article 115 (1) (b) of the Constitution."

2.56. An excess expenditure of Rs. 14.60 lakhs had been incurred in the 'charged' portion of the Capital Section of Grant No. 96—Housing and Urban Development relating to the Ministry of Works and Housing. Bulk of the excess is attributable to sub-heads 'AA.1(1) (1)—Works and Housing' and 'CC.I(2)—Development of National Capital Region'. It is significant that but for reappropriation, the excess over authorised Appropriation would have been much more to the tune of Rs. 12.93 lakhs and Rs. 75.00 lakhs respectively. The additional requirements of loan to one of the State Governments (Har-

yana) in connection with the Development of 'National Capital Region' having gone up by Rs. 75 lakhs, the additional funds over the budget provision of Rs. 1 crore were provided to the extent of Rs. 68.57 lakhs by re-appropriation only shows the extent to which the estimates had been inflated in respect of one of the other sub-head 'Integrated Urban Development in Areas of National Importance'. Considering the fact that the liability on this account was by no means unforeseen or unexpected and since it is not attributable to any extra-ordinary development, the Committee are of the view that it should have been possible to assess and fully provide for the commitments in this regard. The Committee desire that the Ministry should evolve, in consultation with the Ministry of Finance, suitable mechanisms to ensure a more realistic and accurate forecast of monetary requirements in future.

2.57. Subject to the above observations contained in the preceding paragraphs of this Report, the Committee recommend that the excess expenditure referred to in paragraph 2.1 of the Report be regularised in the manner prescribed in Article 115(1)(b) of the Constitution of India.

CHAPTER III

REVIEW OF ACTION TAKEN BY GOVERNMENT OF THE RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE CONTAINED IN THEIR 38TH REPORT (SIXTH LOK SABHA) OF EXCESSES OVER VOTED GRANTS AND CHARGED APPROPRIATIONS FOR THE YEAR 1975-76.

3.1. The 38th Report of the Public Accounts Committee (Sixth Lok Sabha) on Excesses over Voted Grants and Charged Appropriations disclosed in the Appropriation Accounts for the year 1975-76 was presented to the Lok Sabha on 15th November, 1977. Out of a total number of 34 recommendations, 6 recommendations (Sl. Nos. 23 to 28) pertaining to the Ministry of Railways (paragraphs 2.73 and 2.74), Ministry of Defence (paragraphs 2.62, 2.65 and 2.66) and the Ministry of Communications (P&T Board) (paragraph 2.69) were dealt with separately in the 87th Report of the Public Accounts Committee (Sixth Lok Sabha) presented to the Lok Sabha on 30-8-1978. Action Taken notes on the remaining 28 recommendations or observations have been received from Government and are reproduced in Appendix XVI. Of the 28 recommendations or observations, 9 recommendations (Sl. Nos. 1, 4, 5, 6, 7, 8, 30, 33 and 34) concerned more than one Ministry.

3.2. The Action Taken Notes received from Government have been broadly categorised as follows:

(i) Recommendations or observations that have been accepted by Government.

*S. Nos. 1-6, 9, 10-17, 18, 19, 21-22, 29-32.

(ii) Recommendations or observations which the Committee do not desire to pursue in view of the replies of Government.

S. Nos. 7 and 8.

(iii) Recommendations or observations, replies to which have not been accepted by the Committee and which require reiteration.

S. Nos. 20, 33 and 34.

(iv) Recommendations or observations in respect of which Government have furnished interim replies.

Nil

*Action Taken Notes at Sl. Nos. 4, 5, 15, 16 and 29 not Vetted in Audit.

3.3. In accordance with the time schedule prescribed by the Committee in their 5th Report (Fourth Lok Sabha), notes on the action taken by Government on the recommendations or observations contained in the Committee's 38th Report (Sixth Lok Sabha) were required to be furnished by the concerned Ministries or Departments latest by 14th May, 1978. An analysis of the receipt of Action Taken Notes, however, discloses the following position:

No. of notes received by due date (14-5-78)	25
No. of Notes received after 15th May, 1978, but by the end of June, 1978	12
No. of Notes received by the end of September, 1978	4
No. of Notes received by the end of October, 1978	1

3.4. The following table indicates the comparative position in this regard in respect of the relevant Reports on Excesses over Voted Granted and Charged Appropriations for the years 1969-70 to 1975-76.

Report to which Notes relate	No. of Notes received by due date	No. of Notes received after due date and the extent of delay		
		Upto 3 months	3 to 6 months	More than 6 months
29th Report (5th Lok Sabha)	15	3	..	..
49th Report (5th Lok Sabha)	20	11	12	..
96th Report (5th Lok Sabha)	..	..	..	..
134th Report (5th Lok Sabha)	8	9	25	..
180th Report (5th Lok Sabha)	14	13	4	1
227th Report (5th Lok Sabha)	25	5	..	1
38th Report (6th Lok Sabha)	25*	15*	2	..

*Excluding 4 Action Taken Notes of Railways & PT & 2 of Defence

3.5. Commenting on the persistent tendency of delay in the submission of Action Taken Notes on the recommendations/observations contained in their 227th Report, the Public Accounts Committee (1977-78) had, in paragraph 3.7 of their 38th Report (6th Lok Sabha) observed:

"The Committee find that while 25 Action Taken Notes were received by the due date i.e. 28 February, 1977 five notes

were received upto 3 months after the due date. There was delay of the order of about a month in three cases. Two Notes were received in April, 1977. Of these, one pertaining to the Ministry of Home Affairs was received on 14 April, 1977 whereas the other draft Note from the Ministry of Defence was received on 26 April, 1977. Yet another note from the Ministry of Works and Housing was received at the end of May 1977. In one case, pertaining to the Ministry of Finance (Department of Expenditure), Action Taken Note has not yet been finalised by them. The Committee take a serious view of the persistent delay taking place in the submission of Action Taken Notes and would like to be apprised of the measures contemplated by the Ministry of Finance to ensure that final Action Taken Notes on the Committee's recommendations are invariably furnished to them within the stipulated time limit of six months."

3.6. In their Action Taken Note dated the 23rd June, 1978, the Ministry of Finance (Department of Expenditure) have, *inter alia* informed the Committee that their recommendation had been noted by the Government and circulated to all the Ministries/Departments of the Government of India *vide* O.M. dated the 16/19th June, 1978. Whereas the Ministry of Works and Housing and the Ministry of Defence have informed the Committee that they had taken effective steps to ensure strict adherence in future, of the prescribed time limit of six months, the Ministry of Home Affairs have *inter alia*, informed the Committee on 1-9-1978 as under:

"...We are strictly observing the instructions issued by the Ministry of Finance regarding timely submission of Action Taken Notes and making all efforts to cut down delays."

3.7. The Committee had, in paragraph 3.7 of their 38th Report (Sixth Lok Sabha) taken a serious view of the persistent delays that had been taking place in the submission of Action Taken Notes and had desired to be apprised of the measures contemplated to ensure that Action Taken Notes were invariably furnished to them within the stipulated time limit of six months. The Committee find that in pursuance of their recommendation, Ministries or Departments have once again been requested by the Ministry of Finance that Action Taken Notes should be finalised and submitted within the prescribed period of six months. It is rather disconcerting that despite the comments of the Committee in their earlier reports and the fact that instructions had been repeatedly issued by the Ministry of Finance in February 1974, July 1976, August, 1977 and June, 1978,

delays continue to occur this year as well, 17 Action Taken Notes in respect of recommendations contained in their 38th Report (Sixth Lok Sabha) were received after the due date viz., 14th May, 1978. The delay was of the order of a month and a half in 12 cases Whereas two notes from the Ministry of Defence were received after a delay of over two weeks, one note from the Ministry of Home Affairs was received after 3½ months on 1.9.1978. The note from the Ministry of Shipping and Transport was, however, received on 11.7.1978. One advance note from the Ministry of Health and Family Welfare was received after 5 months. The Committee take a very serious view of the delays, particularly occurring in the Ministry of Home Affairs and the Ministry of Health and Family Welfare and feel that the instructions issued by the Ministry of Finance are observed in breach than in compliance. They would like to be reassured that the recommendations of the Committee receive prompt attention and the time schedule prescribed for furnishing, the Action Taken notes is scrupulous followed in future, save in exceptional cases and that too for unavoidable reasons.

3.8. The Committee would like that final replies to the recommendations on which interim replies have so far been sent, are furnished to them, duly vetted by Audit, without further delay.

3.9. The Committee will now deal with the Action Taken by Government on the following recommendations or observations contained in their 33th Report (Sixth Lok Sabha).

Delay in streamlining budgetary procedures.

3.10. Commenting on the recurring phenomenon of excess expenditure on the maintenance of National Highways and the delay in finalising the suggestions of the Task Force aimed at streamlining the budgetary procedures, the Public Accounts Committee (1977-78) had observed as follows in paragraphs 2.54 (S. No. 20), 3.18 (S. No. 33) and 3.19 (S. No. 34) of their 38th Report (Sixth Lok Sabha):—

“2.54. The Committee note that the gross excess under the head ‘A4(1)—Maintenance of National Highways’ of Rs. 257.36 lakhs represents about 14.3 per cent of the original budget provision. The excess under this head has almost become a recurring feature. The reasons attributable to the excess are that extensive repair works were undertaken on the National Highways damaged by heavy rains in various parts of the country and increase in cost material and labour for maintenance works as compared to the norms prescribed by the Central Government. The main-

tenance and repair works are undertaken by the various State Governments who are the executing agencies of the Central Government for the development and maintenance of the National Highways. The Committee are unable to understand why the increase in cost of materials and labour could not be anticipated in close and functional coordination with the State Highway authorities and fully provided for while framing the Revised Estimates, if not earlier. It seems the instructions issued in the past have had little effect in improving the budgetary procedures and controls in the Ministry. The Committee would in particular like the Ministry to examine critically specific steps taken in the implementation of the instructions issued repeatedly by them to tighten up the budgetary procedures and controls in order identify as to what further steps are necessary to contain the recurring phenomenon of excesses over voted grants/charged appropriations."

- "3.18. The Committee are once again constrained to observe that in spite of repeated recommendations by them for an expeditious examination of the suggestions made by the Task Force over 3 years back, no finality has yet been reached in this matter of importance, with the result that excess expenditure mainly in the grant relating to the maintenance of national highways has become a recurring feature over years. Surprisingly the excesses under the head 'A.2(1)—Maintenance of National Highways' during the year 1975-76 were as high as Rs. 2,57,35,778. In their explanatory note, the Ministry of Shipping and Transport (Roads Wing) have indicated that 'the excess was mainly due to extensive repair works undertaken on the national highways damaged by heavy rains in various parts of the country and increase in cost of material and labour for maintenance works as compared to the norms prescribed by the Central Government.' The maintenance and repair works were undertaken by the various State Governments who are the executing agencies of the Central Government for the development and maintenance of National Highways.
- 3.19. The Committee would, urge that final action on the recommendations especially aimed at streamlining budgetary procedures be initiated without further loss of time so as to ensure sounder budgetary control than what exists at present, particularly in respect of certain grants administered by the Ministry of Shipping and Transport. The Committee have also dealt with particular excesses relating to the grant 'Maintenance of National Highways

that occurred during 1975-76 separately in Chapter II of this Report."

3.11 In the relevant Action Taken Notes [other than this note received in reply to paragraph 2.54 (S. No. 20) which has been dealt with separately in the earlier Chapter] furnished by the Ministry of Finance (Department of Expenditure) in June, 1978, Committee have been informed as under:

"I. EXPENDITURE ON NATIONAL HIGHWAYS

Under Entry 23 in the Union List of the Seventh Schedule of the Constitution, National Highways are a Central subject. The Government of India, are, therefore, primarily responsible for the development and maintenance of the National Highways. In order to administer this Central subject, the Government of India enacted the National Highways Act, 1956 and entrusted the duties and functions relating to the development and maintenance of National Highways to State Governments concerned under Section 5 of that Act which flows from Articles 258(1) of the Constitution. Though the actual development and maintenance works are being executed by the State Governments on an agency basis, the entire expenditure involved is met by the Government of India from the Consolidated Fund of India.

Prior to departmentalisation of accounts, the expenditure used to be incurred by the State Governments initially from their own resources out of the Public Accounts of the State audit was later adjusted by the State Accountants General against the Central Heads of Accounts following the departmentalisation of accounts with effect from 1st July, 1976, the State Accountants General prepare a monthly statement of such expenditure which is reimbursed by the Pay and Accounts Officer, Ministry of Shipping and Transport. It has been the experience of the Ministry of Shipping and Transport that, in many cases, the State Government officers do not limit the expenditure to the amounts sanctioned but exceed them. There is no control by the Central Government over the incurring of expenditure by the State Public Works Divisions and, at the same time, the expenditure is also not subject to budgetary discipline of the State Government, as provision of funds is not made in the State Budgets. This has resulted in excesses over the provision in the Central Budget year after year, which has been adversely commented on by Public Accounts Committee.

Following the recommendation made by the Public Accounts Committee at S. No. 1 of Appendix XXXV to their 49th Report (5th

Lok Sabha), a Task Force consisting of the representatives of the Finance Ministry and the C.&A.G. was set up in December, 1972, to investigate the causes for excesses and suggest remedial measures to improve the budgetary system. The Task Force recommended that the "system of grants-in-aid to States for expenditure on maintenance and construction of National Highways may be tried by the Ministry of Shipping and Transport in consultation with their Associated Finance and the Comptroller and Auditor General."

The Report of the Task Force was considered in a meeting taken by the Finance Secretary on 25th April, 1974 and it was decided that the existing procedure should be changed and that the system of payments in instalments analogous to that for grants-in-aid should be adopted, but instead of grants-in-aid the payments to the State Governments may be styled as reimbursements' or payments for services rendered' or given some other appropriate name, so as to retain the present character of agency system through which the works are executed and checks an quality of works, etc. exercised. It was also decided that it should be ensured that the releases of instalments are tied up with the progress of works. Since the proposed procedure involved a departure from the existing procedure and brought in picture the State Government finances, it was agreed that the States should be addressed in the matter after getting a clearance from the C.&A.G.

In terms of this decision, the Ministry of Shipping and Transport prepared a draft letter (to the State Governments) and referred it to the Finance Ministry in November, 1974. The Ministry of Finance suggested that the draft letter may be suitably altered to indicate that Government of India intends to entrust the functions to the State Governments in terms of article 258(1) of the Constitution and that the State Governments may give their consent and also agree to the budgeting arrangement as indicated in the draft. It may be mentioned here, that this suggestions was made on the basis of a proposal earlier made by the Ministry of Transport in November, 1971 to entrust the functions relating to National Highways to State Governments under Article 258 (1) of the Constitution, which had also been *agreed to by the C. & A.G.* subject to the conditions of entrustment being shown to them (C. & A.G.). The draft letter to the State Governments could not be finalised for two reasons *viz.*:

- (a) since the functions could be delegated under Section 5 of the National Highways Act, the necessity for entrusting the functions under Article 258(1) of the Constitution was not clear; and

(b) it was also not clear whether the State Governments could initially incur the expenditure out of their Consolidated Funds and seek reimbursement from the Centre subsequently.

The Ministry of Law held that the entrustment under Article 258 (1) would be legally possible only if the notifications already issued by the Central Government under Section 5 of the Act are revoked: As regards the Second point, they held that it was only an administrative matter. The C. & A.G. expressed a doubt whether it would be in order for the State Governments to meet the expenditure initially from their Consolidated Funds, as National Highways are a Central subject. According to the C. & A.G., the provision of funds could not be treated as a merely administrative matter. They suggested that definite views of the Law Ministry should be obtained and the views of the State Governments also sought before a final decision was taken. The Ministry of Shipping and Transport, however, suggested delegation of functions under Section 5 of the Act which would not involve concurrence of the States.

Due to conflicting views on the subject, the procedure could not be finalised and a meeting was held by Secretary, Ministry of Transport on 5th July 1976 with the representatives of Ministry of Finance, Ministry of Law and the C. & A.G. It was decided in the meeting that the matter should be referred to the Ministry of Law for obtaining the views of the Attorney General of India. The Ministry of Law accordingly prepared a statement of case in consultation with the Ministries of Finance and Shipping and Transport for obtaining the opinion of the Attorney General. The draft statement of the case was referred to the office of the C. & A.G. on 4th April, 1977 for comments. It was observed by the office of the C. & A.G. (September, 1977) that the draft statement did not seem to bring out the various issues involved and the basic point at issue, in their proper perspective, and that the implications of Article 258(3) of the Constitution did not seem to have been properly focussed. They desired that discussion may be held with the concerned officers of the Ministries of Law, Shipping and Transport and Finance, so that the relevant points at issue may be discussed and agreed upon. Accordingly, an interdepartmental meeting was held on 13th March, 1978 to discuss the statement of case. The meeting was attended by the representatives of the Ministry of Finance|Law|Shipping and Transport and the C. & A.G. of India. Further action in this regard is being taken by the Ministry of Law.

Till the matter is settled in consultation with the Comptroller and Auditor General and after obtaining the opinion of the Attorney General, the National Highways Accounting Cell in the Ministry of Shipping and Transport is being strengthened to ensure proper accountal and control of the expenditure.

II. NET BUDGETING IN THE C.P.W.D. UNDER SUSPENSE:

Prior to 1956, 'Net budgeting' was being resorted to in the C.P. W.D. under 'Suspense' i.e. provision was being made for anticipated net increase/decrease in the Suspense balance. In 1956, it was decided to make budgetary provision under 'Suspense' for gross amount instead of net amount. This change in the procedure entails multiple budgetary provisions under 'stock' and 'purchase' depending upon the number of intermediary stages through which the materials have passed from the time of purchase till ultimate use.

The question of net budgeting under 'Suspense' head was considered in a meeting taken on 3rd December, 1959 by the Comptroller and Auditor General of India. Following this, a new procedure applicable to all the departments of Union and State Governments was circulated by the Comptroller and Auditor General on 22nd April, 1960. The essential features of new procedure were:—

- (a) Where stores are purchased for specific works and can be identified *ab initio* as such, the expenditure may be debited direct to the works concerned and not passed through the general stores Suspense head. If the stores arrive before payments are made, suspense head within the works/projects Grants should be operated upon, to watch the liquidation of the liability. If payment has been made in advance and the stores have not arrived, the payment should be debited direct to the work, suitable arrangements being made to watch the receipt of material.
- b) Where stores are purchased for general purposes, the value of materials should be debited to the stores suspense head and the vote taken for the gross expenditure. If payment has not been made, the head 'purchases' will be operated upon but this will be treated as a detailed head under the main stores suspense head.
- (c) Credits for stores issued to works and services for which funds are provided within the same Grant as the

stores suspense head, should be taken in reduction, of expenditure under the suspense head; the vote will then be for the net debit.

Owing, however, to certain practical difficulties in the application of this procedure to the C.P.W.D. the matter was discussed with the Office of the Comptroller & Auditor General on 10-5-1961 and it was decided to maintain the *status quo*. The revised procedure was accordingly, not made applicable to the C.P.W.D.

Pursuant to the recommendation made by the P.A.C. in their 49th Report (5th Lok Sabha), a Task Force consisting of the representatives of the Ministry of Finance and the Comptroller and Auditor General was constituted (December, 1972) to investigate the causes for excesses over budget provisions and to suggest remedial measures to improve the budgetary system. In the case of Public Works Expenditure, the Task Force recommended that:—

“..... where the excesses are largely due to lack of control in suspense of stores transactions, the system of net budgeting (the difference between the total debits and total credits on account of transaction of stores) which is followed in the Posts and Telegraphs may be tried by the Ministry of Works and Housing in consultation with their Associated Finance and the C & A.G.”

The question of introduction of net budgeting in the C.P.W.D. as in the case of Railways and P&T, as recommended by the Task Force was examined by the Ministry of Works and Housing who expressed the following difficulties in implementing the proposed system of net budgeting:—

- (a) For the purpose of net budgeting, it would be necessary to distinguish the transaction of stores issued, which should be taken as reduction of expenditure and those which should be shown as credits (i.e. below the line recoveries). Since a larger number of works under various major heads are dealt with by the divisions, such a segregation of stores issued would be difficult and misclassifications are likely.
- (b) Since the stock suspense sub-head would be operated by Central Stores division as well as by all the maintenance divisions, the proposed treatment of inter-divisional transfer of stores taken to 'stock' would lead to minus debit under 'stock'.

- (c) Since the stores content of repair works for which provision is made in the 'Revenue' section of the same Grant (where provision is made for general stores suspense) constitutes only a small percentage (11 per cent) of the total provision for general stores suspense the advantages of the proposed system would be rather limited.

The procedure for management and accounting of Stores in the Railways and P & T (which also follows the pattern in Railways) is very well-organised and centralised and is different from the procedure followed in C.P.W.D. Also, if the C.P.W.D. switches over to the accounting procedure being followed by the Railways, it will mean extra staff and the consequential additional expenditure of about Rs. 17 lakhs annually. It has, therefore, been decided that the Ministry of Works and Housing should conduct a detailed study of the accounting and budgeting of the C.P.W.D., *vis-a-vis* the pattern followed by Railways, and that, in the meantime, the *status quo* may be maintained. It was also decided that the Department should exercise strict control over the expenditure *vis-a-vis* the funds provided for the Suspense Head in the Budget Estimates, to avoid the excesses occurring year after year.

The position will be reviewed again after the proposed study by the Ministry of Works and Housing is completed."

3.12. The Committee have made observations on the gross excess under Grant No. 80—Roads aggregating Rs. 290.31 lakhs, in Chapter II of this Report (of paras 2.47 to 2.49). The Committee note that following the recommendation of the Public Accounts Committee contained in their 49th Report (5th Lok Sabha), a Task Force was set up in December, 1972 to investigate the causes for excesses and suggest remedial measures to improve the budgetary system. The report of the Task Force was considered on 25th April, 1977. From the reply furnished to the Committee by the Ministry of Finance in June, 1978, it is seen that after protracted correspondence and discussions, a statement of the case was prepared by the Ministry of Law in consultation with the Ministry of Finance and Shipping and Transport. Before obtaining the opinion of the Attorney General, the draft statement was referred to the Office of the Comptroller and Auditor General of India in April, 1977 for comments. As the draft statement did not seem to bring out the various issues involved and the basic point at issue, in their proper perspective, an inter-departmental meeting was accordingly held on 13 March, 1978 to discuss the statement of the case. The Committee have been informed that

further action in this regard is being taken by the Ministry of Law and in the meantime, the National Highways Accounting Cell in the Ministry of Shipping and Transport is being strengthened to ensure proper accountal and control of expenditure.

3.13. The Committee also find that the procedure for management and accounting of Stores in the Railways and Posts and Telegraphs is stated to be well organised and centralised. Prior to 1956, the C.P.W.D. also resorted to 'Net Budgetting' whereby provision was being made for anticipated net increase or decrease in the suspense balance. A decision has been taken that the Ministry of Works and Housing should conduct a detailed study of the accounting and budgeting of the CPWD vis-a-vis the Pattern followed by Railways. It is further seen from the reply of the Government that the position should be reviewed again after the proposed study by the Ministry is completed. In the meantime, status quo is being maintained and it was decided that the Department should exercise strict control over the expenditure vis-a-vis the funds provided for the suspense Head in the Budget.

3.14. The Committee are distressed to point out that inspite of repeated exhortations by them the progress to ensure proper accountal and control of expenditure has rather been at snail's pace, with the result that excesses over authorised provisions continue to occur year after year. They feel that the issues involved are not so intricate as to evade solution. The Committee once again stress that finality should be soon reached in this matter of importance. They would like to be informed of the concrete action taken in this regard as and when the statement of the case is finalised by the Ministry of Law and sent to the Attorney General for obtaining his opinion.

3.15. The Committee also find that the only change brought about following departmentalisation of accounts with effect from 1st July, 1976, is that now the State Accountants General prepare a monthly statement of expenditure incurred by the State Governments, which is reimbursed by the Pay and Accounts Officer, Ministry of Shipping and Transport. From the Advance Report of the Comptroller and Auditor General of India, it is seen that the checks to be exercised by the Pay and Accounts Officer (National Highways) in respect of works expenditure with reference to vouchers, sanctions, contract documents, schedule of rates, statements of remittances into treasuries and paid cheques, had not been prescribed till January, 1978. During local Audit (October 1977) of the Office of Pay and Accounts Officer (National Highways) it was noticed that after re-imburement

of expenditure incurred by State Governments, no effective post-checks were applied to the accounts and vouchers received. The Committee cannot comprehend how the strengthening of the National Highways Accounting Cell could ensure proper accountal and strict control of expenditure, unless detailed procedures for accountal and inspection of National Higways expenditure are laid down. They would like to have further clarification on the circumstances under which it has not been possible to lay down detailed procedures for accountal of National Highways expenditure.

3.16. One of the functions of the Controller General of Accounts is to have a coordinating and innovating role in the introduction of Management Accounting System in the various Ministries and/or Departments of the Government. The Committee find that the procedure for management and accounting of stores in the Railways and Posts and Telegraphs is stated to be well organised and centralised. Prior to 1956, 'Net Budgeting' was being resorted to in the C.P.W.D. also under 'Suspense' head. In this connection, it is relevant that the question of 'net budgeting' as prevalent in Railways and Posts & Telegraphs, was also recommended to be re-introduced in the C.P.W.D. in consultation with their Associated Finance and the Comptroller & Auditor General of India. The Committee have been informed that a decision had been taken that the Ministry of Works and Housing should conduct a detailed study of the accounting and budgeting of the CPWD vis-a-vis the pattern followed by Railways. The Committee desire that the proposed study may be completed soon and the position as reviewed thereafter may be communicated to them. The desirability of associating the Controller General of Accounts who is to have a pivotal role in establishing and maintaining a technically sound accounting system in the Ministries and/or Departments, may also be appropriately considered. The Committee also desire that they may be informed in due course of the progress achieved in the introduction and/or enforcement of Management Accounting System and evaluation of the status of performance budgeting.

NEW DELHI;

December 16, 1978.

Agrahayana 25, 1900 (S).

P. V. NARASIMHA RAO,

Chairman,

Public Accounts Committee.

APPENDICES

APPENDICES I TO XV

(Vide paragraph 1.4 of the Report)

Explanatory Notes received from various Ministries/Departments on the Excesses over Voted Grants and Charged Appropriations disclosed in the Appropriation Accounts (Civil) for the year 1976-77.

APPENDIX I

MINISTRY OF PETROLEUM, CHEMICALS & FERTILIZERS

(Department of Chemicals & Fertilizers)

Grant No. 11: Ministry of Chemicals & Fertilizers

	Final Grant	Actual Expenditure	Excess
Revenue section (Voted)	Rs 32,01,000	Rs 32,49,327	Rs 48,327

Against the sanctioned grant of Rs. 32,01,000 for the year 1976-77, the actual expenditure amounted to Rs. 32,49,327 leading to an excess of Rs. 48,327.

2. The excess, which was a net result of excesses and savings under the various sub-heads under the Grant, is mainly attributable to the excess under the sub-head "Office Expenses"—Against the sanctioned Grant of Rs. 6,00,000 for this sub-head, the actual expenditure amounted to Rs. 8,01,572, thus resulting in an excess of Rs. 2,01,572. This excess was occasioned by substantially large and partly unanticipated expenditure on telephone bills, furniture, typewriters, desert coolers and air-conditioners. The excess expenditure was on account of providing immediate telephone facilities at the additional accommodation for the staff of the Ministry, as well as for installation of new telephone connections, purchase of additional furniture, stationery, typewriters etc., for additional clerical and other posts created and/or filled up during the year.

3. At the Revised Estimates stage when the Grant was reviewed, it was expected that the additional expenditure on these items could be met from likely savings available within the Grant and as such no Supplementary Grant was sought. This anticipation, however, did not materialise fully; moreover unanticipated expenditure of Rs. 90,497 had further to be incurred during the month of March, 1977, consisting of Rs. 54,624 for telephone charges, Rs. 16,766.40 for desert coolers and Rs. 18,873 for adjustment of the cost of air-

conditioners purchased in 1973-74 by the then composite Ministry of Petroleum and Chemicals.

4. The gross excess of Rs. 2,01,572 under the sub-head A. 1(5) Office Expenses, was partly met from the savings under other sub-heads leaving an uncovered excess of Rs. 48,327 under the Grant.

5. The excess is less than 2 per cent of the total sanctioned Grant and may be recommended for regularisation by Parliament under Article 115(1)(b) of the Constitution.

6. This note has been seen by Aud t.

APPENDIX II
MINISTRY OF ENERGY

Grant No. 29: Ministry of Energy.

	(Figures in rupees)
Original Grant (Voted)	53,22,000
Supplementary Grants	7,46,000
Final Grant	60,68,000
Actual expenditure	60,62,926
Excess	14,926

The original Grant of Rs. 53,22,000 was augmented by Supplementary Grants of Rs. 3,68,000 obtained in August 1976 and Rs. 3,78,000 obtained in March 1977. Against the final grant of Rs. 60,68,000, actual expenditure amounted to Rs. 60,62,926 leaving an uncovered excess of Rs. 14,926 which need to be regularised.

The excess of Rs. 14,926 was mainly due to an excess expenditure of Rs. 42,230 under head 'A 1(2) (4) Travel expenses' under the Department of Coal. At the time of review of the Grant for going in for the last batch of Supplementary Demands for Grants for 1976-77, it was anticipated that savings would be available under other heads to cover the aforesaid excess expenditure. However, savings to the extent anticipated earlier did not materialise leading to an uncovered excess of Rs. 14,926. The excess constitutes only 0.23 per cent of the sanctioned Grant. In the circumstances, it is requested that the excess expenditure of Rs. 14,926, may kindly be recommended for regularisation by Parliament under article 115(1) (b) of the Constitution.

This has been seen by Audit.

APPENDIX III
MINISTRY OF FINANCE

(Department of Economic Affairs)

Grant No. 36: Currency/Coinage and Mint

Capital Section—Charged	(Figures in Rupees)
Original Appropriation . . . . .	..
Supplementary Appropriation	5,60,000
Final Appropriation	5,60,000
Actual Expenditure	5,60,248
Excess	248

A Supplementary Appropriation of Rs. 5,60,000 was obtained in March, 1977 for making payment in satisfaction of a Court decree. Against this the expenditure actually booked amounted to Rs. 5,60,248, leaving an excess of Rs. 248.

The expenditure of Rs. 5,60,248 comprised (i) Rs. 5,51,000 towards payment of principal, interest and cost to the claimant, and (ii) Rs. 9,248 towards fee of the Counsel for attending the arbitration proceedings and fee of the Arbitrator appointed for the case. The payment of Rs. 5,51,000 was made on the basis of a decree of the High Court at Calcutta and it was, therefore, an item of 'charged' expenditure in terms of article 112(3)(f) of the Constitution. The payment of Rs. 9,248, however, did not constitute 'charged' expenditure as it was not in satisfaction of any decree of a Court and it was only of the nature of expenditure which is ordinarily incurred in contesting a case through an arbitrator and is treated as 'voted'.

The excess in the Grant has occurred because of misclassification of the 'voted' item of expenditure of Rs. 9,248 as 'charged'. The excess, therefore does not seem to require regularisation, in view of the recommendations of the Public Accounts Committee (First Lok Sabha) contained in paragraph 7 of their 16th Report. There were sufficient savings in the voted grant to cover the additional expenditure of Rs. 9,248.

This Note has been vetted by Audit.

APPENDIX IV

MINISTRY OF FINANCE

(Department of Economic Affairs)

Grant No. 38: Transfers to States and Union Territory Governments

<i>Revenue Section</i>	(Figures in Rupees)
Original Appropriation (Charged)	1474,38,00,000
Supplementary Appropriation (Charged)	53,43,98,000
Final Appropriation (Charged)	1527,81,98,000
Actual Expenditure (Charged)	1528,41,97,084
Excess (Charged)	59,99,084

The Original Appropriation of Rs. 14,74,38,00,000 was augmented by a Supplementary Appropriation of Rs. 53,43,98,000 in March, 1977. Against the Final Appropriation of Rs. 15,27,81,98,000 actual expenditure amounted to Rs. 15,28,41,084 leading to an excess of Rs. 59,99,084 which requires to be regularised.

2. The excess occurred under the sub-head "C.2-States' share of Additional Excise Duties in lieu of Sales tax" on account of over-payment of Rs. 60 lakhs made to the Government of Madhya Pradesh on 31st March, 1977. This resulted from clerical-error in calculation of the amount Payable to the State Government; it was partly off-set by a saving of Rs. 916 available in the Grant. The amount of Rs. 60 lakhs paid in excess was recovered from the State Government during 1977-78 by adjustment against its share of Additional Excise Duties in lieu of Sales tax in that year.

3. In view of the circumstances explained above, the excess of Rs. 59,99,084 may kindly be recommended for regularisation by Parliament under Article 116(1)(b) of the Constitution of India.

4. The Note has been vetted by Audit.

APPENDIX V

MINISTRY OF FINANCE

[Department of Economic Affairs (Budget Division)]

Grant No. 39: Other Expenditure of the Ministry of Finance

Revenue Section (Voted)

Revenue Section (Voted)	(Figures in Rupees)
Original Grant	170,55,96,000
Supplementary Grant	14,54,00,000
Final Grant	185,09,96,000
Actual Expenditure	202,62,15,745
Excess	17,52,19,745

The Original Grant of Rs. 170,55.96 lakhs in the Revenue Section (Voted) was augmented by Supplementary Grant of Rs. 1454 lakhs in March, 1977. Against the Final Grant of Rs. 185,09.96 lakhs, the actual expenditure amounted to Rs. 202,62.15,745 resulting in an excess of Rs. 17,52,19,745.

2. The excess which was the net result of excesses and savings under various sub-heads in the Grant is mainly attributable to the gross excess of Rs. 18,56,92,592 under head 'A.4(2f)-Loss by Exchange'. The excess under the head occurred due to adjustments, largely pertaining to years prior to 1976-77, which had to be carried out by the Accounts Officers at the fagend of the financial year 1976-77 when no action could be taken to provide funds to cover the excess expenditure. However, the expenditure was notional in view of heavy receipts on account of gain by exchange during 1976-77 and earlier years.

3. The excess was met by savings to the extent of Rs. 1,04,72,847 under other sub-heads in the Grant leaving an uncovered excess of Rs. 17,52,19,745 which requires to be regularised.

4. In view of the circumstances explained it is requested that excess of Rs. 17,52,19,745 may kindly be recommended for regularisation in accordance with article 115(1)(b) of the Constitution.

This has been seen by Audit.

APPENDIX VI

MINISTRY OF FINANCE

[Department of Economic Affairs (Budget Division)]

Grant No. 40: Loans to Government Servants, etc.

<i>Capital Section—Voted</i>	(Figures in Rupees)
Original Grant	47,00,00,000
Supplementary Grant	28,85,00,000
Final Grant	75,85,00,000
Actual Expenditure	76,95,22,214
Excess	1,10,22,214

The Grant 'Loans to Government Servants' etc.' is a composite one and all the Ministries/Departments operate on the provisions made on their behalf under the various sub-heads in this Grant. The original Grant of Rs. 4.7 crores was augmented by obtaining a Supplementary Grant of Rs. 28.85 crores in March, 1977. Against the final grant of Rs. 75.85 crores, the actual expenditure amounted to Rs. 76,95,22,214 leading to an excess of Rs. 1,10,22,214.

The excess occurred under sub-head 'AA.1-House Building Advances'. The provision of Rs. 10 crores made on this account in the original Budget was augmented by obtaining a supplementary grant of Rs. 358.86 lakhs in March, 1977. The actual expenditure amounted to Rs. 23,66,80,436 resulting in an excess expenditure of Rs. 10,07,94,436.

While the Ministry of Works and Housing exercise over-all control for the grant of such advances, actual releases are made by the various Ministries/Departments and offices under them. The excess expenditure occurred on account of the following:—

- (i) Heavy drawals due to spurt in construction activities on account of easy availability of cement etc.; and
- (ii) allotment of larger number of ready built flats by the Delhi Development Authority and other housing societies/agencies (payment to be made therefor is time bound or

else the allotment is cancelled) and utilisation of the full amount sanctioned during the year.

Power to sanction house building advances to Central Government servants has been decentralised with effect from 1st April, 1978; individual Ministries/Departments will now be responsible for the control over disbursement of advances to their staff against the funds allotted to them.

Taking into account savings available under other heads in the Grant, the net excess came down to Rs. 1,10,22,214 which requires to be regularised.

The recommendation of the Public Accounts Committee is sought to the regularisation of excess expenditure of Rs. 1,10,22,214 under Article 115(1) (b) of the Constitution.

This has been seen by Audit.

APPENDIX VII

MINISTRY OF HOME AFFAIRS

Grant No. 52: Police

<i>Revenue Section</i>	<i>(Figures in rupees)</i>
Original Grant (Charged)	20,000
Supplementary Grant (Charged) . . . . .	..
Final Grant	20,000
Actual Expenditure	35,333
Excess	15,333

2. The original grant was Rs. 20,000/-. The actual expenditure, however, amounted to Rs. 35,333/- resulting in an excess of Rs. 15,333/-.

3. The overall excess of Rs. 15,333/- which was the net result of excesses and savings under the various sub-heads in the Court occurred under the following sub-heads:

A.2(1)—Directorate General, Border Security Force:

Sanctioned Grant	Actual Expenditure	Excess
Rs.	Rs.	Rs.
—	25,333	25,333

This expenditure relates to the adjustment of decretal dues awarded by the Motor Accidents Claims Tribunal, Sriganganagar, in an accident on 1-1-1969 involving a Border Security Force—vehicle. On rejection of the appeal filed in the Rajasthan High Court on 11-12-1972, it was decided not to go in for further appeal and an advance of Rs. 25,320/- was sanctioned from the Contingency Fund of India on 23-2-74 for payment of the decretal amount. A Supplementary Appropriation of Rs. 26,000/- was also obtained during March 1974 to recoup the advance to the Fund. Meanwhile the decree holder got the attachment order served on the State Bank of Bikaner and Jaipur at Sriganganagar, which was conducting Government treasury business. The Bank had made the payment on

5-10-1972 and submitted the voucher to the local Treasury. As the voucher and details of the amount were not furnished by the Treasury to the Accountant General, Rajasthan along with the accounts for the month in which the payment was made by it, the amount paid had to be kept under 'suspense' and was adjusted finally only when the voucher and the details were furnished by the Chief Accounts Officer, Incharge Treasuries in October, 1978 after the matter was pursued by the Accountant General.

4. Since the excess in 1976-77 has resulted exclusively from an omission to bring to account an expenditure for which Supplementary Appropriation obtained during 1973-74 remained unutilised in that year, it may not require regularisation on the analogy of recommendation in paragraph 4.26 of the 45th Report of the Public Accounts Committee (Third Lok Sabha—1965-66).

This Note has been seen by Audit.

APPENDIX VIII

MINISTRY OF HOME AFFAIRS

Grant No. 54: Other Expenditure of the Ministry of Home Affairs

Capital Section (Voted)	(Figures in Rupees)
Original Grant (voted)	37,31,23,000
Supplementary Grant	2,07,11,000
Final Grant	39,38,34,000
Actual Expenditure	39,39,27,000
Excess	1,93,000

The Original Grant of Rs. 37,31,23,000 under Capital Section (Voted) of Grant No. 54-Other Expenditure of the Ministry of Home Affairs during 1976-77 was augmented by obtaining a Supplementary Grant of Rs. 2,07,11,000 in March, 1977. Against the Final Grant of Rs. 39,38,34,000, the actual expenditure amounted to Rs. 39,39,27,000 resulting in an excess of Rs. 93,000. This excess is the net result of excesses and savings under the various heads of the Capital Section (Voted) of the Grant and occurred mainly under Head CC—Loans and Advances to Union Territory Governments—CC. 1—Non-Plan Schemes CC. 1(1)—Loans to cover gap in resources for the reasons given below:

The excess was mainly due to sanction of a loan of Rs. 95.31 Lakhs to the Government of Mizoram on 24th March, 1977 to cover gap in resources. This included Rs. 5 lakhs for rehabilitation of Mizo-National Front returns. The expectation that the additional expenditure of Rs. 5 lakhs would be met out of the anticipated savings within the Capital Section (Voted) of the Grant did not fully materialise. Eventually savings amounting to Rs. 4,07,000 only became available resulting in an excess of Rs. 93,000 over the sanctioned Grant which needs regularisation.

In view of the circumstances explained above, the excess of Rs. 93,000 may kindly be recommended for regularisation by Parliament under Article 115(1) (b) of the Constitution.

This Note has been vetted by Audit.

APPENDIX IX

MINISTRY OF HOME AFFAIRS

Grant No. 56: Chandigarh

Original Appropriation	Supplementary Appropriation	Total Appropriation	Actual Expenditure	Excess
Rs	Rs	Rs	Rs	Rs
1	2	3	4	5
<i>Capital Section</i>				
(Charged)	6,00,000	11,00,000	17,01,153	(+) 1,153

2. The original appropriation of Rs. 6,00,000/- was augmented by obtaining a supplementary appropriation of Rs. 11,00,000/- in March, 1977. The actual expenditure, however, amounted to Rs. 17,01,153/- resulting in an excess of Rs. 1,153/- which requires to be regularised.

3. The overall excess of Rs. 1,153/- which was the net result of excesses and savings in the 'Charged' portion of Capital Section of the Grant, occurred under Major Head '483' BB. 4-Capital Outlay on Housing, BB. 4(2)—Accommodation for Government Employees wherein the actual expenditure amounted to Rs. 8,744/-, although there was no original provision under the head.

The excess occurred due to the liability arising out of a court award. No expenditure was anticipated under this head. But, after finalisation of Supplementary Budget for 1976-77, necessity arose to make payment of decretal amount of Rs. 8,744/- to satisfy the award of Court. Efforts were made to meet this liability from within the original/supplementary appropriation by re-appropriating funds from other head viz. BB5(1) (1) under the Major Head '484'. Even then, the final excess of Rs. 1,153/- could not be avoided.

4. In view of the circumstances explained above the excess of Rs. 1,153/- under 'Charged' portion of Capital Section of the grant may please be recommended for regularisation by Parliament under Article 115(1) (b) of the Constitution.

The 'Note' has been vetted by Audit.

APPENDIX X

MINISTRY OF HOME AFFAIRS

Grant No. 57: Andaman and Nicobar Islands

Revenue Section (Voted)	(Figures in Rupees)
Original Grant	21,18,10,000
Supplementary Grant	2,05,32,000
Final Grant	23,23,42,000
Actual Expenditure	24,27,55,310
Excess	1,04,13,310

The Original Grant of Rs. 21,18,10,000 under Revenue Section (Voted) was augmented by obtaining a Supplementary Grant of Rs. 2,05,32,000 in March, 1977. Against the Final Grant of Rs. 23,23,42,000 the actual expenditure amounted to Rs. 24,27,55,310 resulting in an excess of Rs. 1,04,13,310. This excess is the net result of excesses and savings under the various heads of the Grant and occurred mainly under the following head for the reasons given thereunder:—

Major Head "259"

A. 12-Public Works:

A. 12 (5)-Suspense

A. 12 (5) (1)-Stock (Rs. 1,40,15,660)

The excess was mainly due to liquidation of past liabilities. Owing to the peculiar climatic conditions in the territory and uncertain shipping services, the outlying divisions build up their stocks in the fairs season when transshipment of materials can be done without much difficulty. Debits for materials are received long after procurement and supply to the various divisions. The excess was also partly due to the system of gross budgeting under this head and double-accounting of the debits in the case of materials transferred from one division to another, i.e., once by the purchasing division and again by the transferee division. The Andaman and Nicobar Administration have been advised to streamline the system of esti-

mation of fund requirements and control of expenditure especially to ensure that adequate provision is made for past liabilities and that expenditure over and above the sanctioned budget is not incurred.

The above excess amounting to Rs. 1,40,15,660 was met to a certain extent by savings from other heads of the Grant, leaving an uncovered excess of Rs. 1,04,13,310.

In view of the circumstances explained above, the excess of Rs. 1,04,13,310 may kindly be recommended for regularisation by the Parliament under Article 115(1) (b) of the Constitution.

The above note has been vetted by Audit.

APPENDIX XI

MINISTRY OF INFORMATION AND BROADCASTING

Grant No. 66: Broadcasting.

Revenue Section—Voted	(Figures in Rupees)
Original Grant	40,39,39,000
Supplementary Grant	17,64,69,000
Final Grant	58,04,08,000
Actual Expenditure	58,11,10,524
Excess	7,02,524

The excess of Rs. 7,02,524 which was the net result of excesses and savings under various heads of the Grant, occurred mainly under head 'A.1(4)-Operation and Maintenance'. The original grant of Rs. 371.32 lakhs under this head was augmented by Supplementary Grant of Rs. 85 lakhs in March, 1977. However, due mainly to issue of more stores and accelerated progress of work, actual expenditure under this head amounted to Rs. 527.47 lakhs. The expectation that the excess expenditure would be covered by savings under other heads in the Grant did not fully materialise resulting in an uncovered excess of Rs. 7,02,524.

In view of the circumstances explained, it is requested that the excess of Rs. 7,02,524 may kindly be recommended for regularisation under article 115(1)(b) of the Constitution.

APPENDIX XII

SUPREME COURT OF INDIA

Grant No. 70: Administration of Justice

Revenue Section (Charged)	(Figures in Rupees)
Original Appropriation	62,06,000
Supplementary Appropriation	3,27,000
Final Appropriation	65,33,000
Actual Expenditure	65,33,692
Excess	692

The Original Appropriation of Rs. 62,06,000 was augmented by obtaining Supplementary Appropriation of Rs. 3,27,000 in March 1977. Against the final Appropriation of Rs. 65,33,000, the actual expenditure amounted to Rs. 65,33,692, leaving an uncovered excesses of Rs. 692, which needs to be regularised.

The excess of Rs. 692 is mainly attributable to the gross excess of Rs. 3,69,628 under head 'A-I(5)-Publications'. Against the original provision of Rs. 3,00,000 under this head, the expenditure amounted to Rs. 6,69,628 leading to an excess expenditure of Rs. 3,69,628.

When the Grant was reviewed towards the end of February, 1977, it was anticipated that it would be possible to meet this excess requirement out of savings under other heads in the Charged Portion of the Grant and accordingly a Supplementary Appropriation of Rs. 3,27,000 only was obtained in March, 1977. However, the above anticipation did not fully materialise and resulted an uncovered excess of Rs. 692. This excess which constitutes only 0.01 per cent of the sanctioned appropriation requires to be regularised.

In view of the circumstances explained above, the net excess of Rs. 692 over sanctioned Appropriation may kindly be recommended for regularisation by Parliament under Article 115(1)(b) of the Constitution.

This has been seen by Audit.

APPENDIX XIII

MINISTRY OF SHIPPING & TRANSPORT

(Roads Wing)

Grant No. 80: Roads

(Figures in Rupee.)

	Revenue Section	
	Voted portion	Charged portion
Original Grant	80,66,54,000	10,000
Supplementary Grant	4,76,48,000	1,20,000
Total Grant	85,43,02,000	1,30,000
Actual Expenditure	85,50,20,750	3,90,520
Excess	7,18,750	2,60,520

Voted portion:

The original grant of Rs. 80,66,54,000/- was augmented by obtaining a supplementary grant of Rs. 4,76,48,000/- in March, 1977. Against the final grant of Rs. 85,43,02,000/-, the actual expenditure amounted to Rs. 85,50,20,750/- leaving an uncovered excess of Rs. 7,18,750/-. This excess of Rs. 7,18,750/- was the net result of excesses and savings under various heads in the Revenue Section under voted portion of the Grant.

2. The excess is mainly attributable to the gross excess of Rs. 2,90,31,201/- on the maintenance and repairs of National Highways covering the sub-heads A.2(1)(1)-Maintenance by Roads Wing (Rs. 2,75,58,234/-) and A.2(1)(2)-Maintenance by Border Road Development Board (Rs. 14,72,967/-). The original Budget provision of Rs. 19,42,00,000/- was augmented by a Supplementary Grant of Rs. 1,32,01,000/- in March, 1977. Against the total sanctioned grant of Rs. 20,74,01,000/- [Rs. 20,66,42,000/- for sub-head A.2(1)(1)-Maintenance by Roads Wing and Rs. 7,59,000/- for sub-head A.2(1)(2)-Maintenance by Border Roads Development Board], however, the actual expenditure amounted to Rs. 23,64,42,201/- [Rs. 23,42,00,234/-

under sub-head A.2(1)(1)-Maintenance by Roads Wing and Rs. 22,31,967/- under sub-head A.2(1) (2)-Maintenance by BRDB] leading to an excess of Rs. 2,90,31,201/-. This excess was mainly due to extensive repair works required to be undertaken on the National Highways damaged by heavy rains in various parts of the country and increase in the cost of material and labour for maintenance of works. The gross excess of Rs. 2,90,31,201/- under these sub-heads was partially met from savings available under other heads leaving a net excess of Rs. 7,18,750/- which is required to be regularised.

Charged portion:

3. The original appropriation of Rs. 10,000/- was augmented by a Supplementary appropriation of Rs. 1,20,000/- obtained in March, 1977. Against the final appropriation of Rs. 1,30,000/- the actual expenditure, however, amounted to Rs. 3,90,520/- leaving an uncovered excess of Rs. 2,60,520/-. The excess of Rs. 2,60,520/- was the net result of excesses and savings under various heads in the charged portion of the Grant under Revenue Section.

4. The excess is mainly attributable to the gross excess of Rs. 2,71,041/- under the Head A.4(1)(1)-Roads in Delhi. Against an appropriation of Rs. 19,000/- obtained in March, 1977, the actual expenditure, however, amounted to Rs. 2,90,041/- leading to an excess of Rs. 2,71,041/- which occurred on account of decretal awards which could not be foreseen earlier. The excess was, however, partially set off by savings under the other sub-heads leaving a net excess of Rs. 2,60,520/- which is required to be regularised.

5. In view of the explanation given above, the excess amount of Rs. 7,18,750/- under voted portion and Rs. 2,60,520/- under charged portion may kindly be recommended for regularisation by Parliament under Section 115(1)(b) of the Constitution.

This has been seen by Audit.

APPENDIX XIV
MINISTRY OF STEEL & MINES.
 (Department of Steel)

Grant No. 83: Department of Steel.

Capital Section—Charged	(Figures in Rupees)
Original Appropriation	2,00,00,000
Supplementary Appropriation	Nil
Final Appropriation	2,00,00,000
Actual Expenditure	2,05,33,139
Excess	5,33,139

The excess of Rs. 5,33,139 occurred under sub-head 'AA1(4)-Acquisition of land (Acquisition of Land for Durgapur Steel Plant)' on account of compensation payments to the owners of land acquired for Durgapur Steel Plant. The payments were effected in March, 1977 in pursuance of Court awards. The Budget provision of Rs. 10 lakhs made in the 'Voted' section of the Grant for this purpose could not be used as these payments, in terms of article 112(3)(f) of the Constitution, were 'Charged' on the Consolidated Fund of India. As there was no time for obtaining a Supplementary Appropriation, these payments led to the excess of Rs. 5,33,139 while on the 'Voted' section there was a corresponding saving.

2. The excess of Rs. 5,33,139 under 'Charged' portion in Capital Section of Grant may kindly be recommended for regularisation by Parliament under Article 115(1) (b) of the Constitution.

3. This note has been seen by Audit.

APPENDIX XV

MINISTRY OF WORKS & HOUSING

Grant No.: 96—Housing and Urban Development.

Capital Section
'Charged'

(Figures in Rupees)	
Original Appropriation	31,66,00,000
Supplementary Appropriation	20,51,000
Final Appropriation	31,86,51,000
Actual Expenditure	32,01,10,638
Excess	14,59,638

The original appropriation of Rs. 31,66,00,000 was augmented by obtaining Supplementary Appropriation of Rs. 20,51,000 in March, 1977. Against the final Appropriation of Rs. 31,86,51,000, the actual expenditure amounted to Rs. 32,01,10,638, leaving an uncovered excess of Rs. 14,59,638, mainly under the following heads:—

Head	Total Appropriation	Actual Expenditure	Variation
	Rs.	Rs.	Rs.
AA Capital Outlay on Housing			
AA 1 Government Residential Buildings			
AA 1 (1) Construction			
AA 1 (1)(1) Building			
AA 1 (1)(1)(1) Works and Housing			
<i>Charged</i>			
O :	5,00,000		
S :	18,10,000	23,10,000	36,02,731 + 12,92,731

The excess occurred mainly due to payment in February/March, 1977, of two court decrees aggregating Rs. 9.80 lakhs for enhanced compensation and interest charges awarded for procurement of land in village Mohammadpur Munirka. The examination of the court judgments in consultation with the Ministry of Law and Integrated Finance necessarily took some time resulting in delay in the sanctioning of expenditure for payment in satisfaction of these awards, by which time, it had become too late to include these cases in the last batch of Supplementary Appropriation which had already been processed and finalised. Provision for extra funds, therefore, could not be made.

	Total Appropriation	Actual Expenditure	Variation
	Rs.	Rs.	Rs.
CC Loans and Advances to State Governments			
CC 1—Loans for Central Plan Schemes			
CC 1(2)—Development of National Capital Region	1,00,00,000	1,75,00,000	+75,00,000

The Budget provided for Rs. 1 crore as loans to the State Governments in connection with the Development of 'National Capital Region'. The requirements of one of the State Governments (Haryana) on this account for 1976-77 having gone up by Rs. 75 lakhs, it was decided to provide additional funds by re-appropriation, as saving of a like amount was anticipated under the 'Integrated Urban Development in Areas of National Importance'. However, a total amount of Rs. 68,57,400 only could be appropriated to the head leaving excess of Rs. 6,42,600 under the head.

2. In view of the circumstances explained above, the excess of Rs. 14,59,638 over the sanctioned Appropriation may kindly be recommended for regularisation by Parliament under Article 115 of the Constitution.

3. This has been vetted by Audit.

APPENDIX XVI

(Vide paragraph 3.1 of the Report)

I. RECOMMENDATIONS AND OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT.

Recommendation

The aggregate amount of excess expenditure over Voted Grants and Charged Appropriations during the past decade ranged between Rs. 3.78 crores in 1968-69 to Rs. 266.52 crores in 1974-75. The Committee had only a year ago expressed the view that the extent of deterioration under some of the Grants during 1974-75 cannot be taken lightly and should cause concern to Government. The Committee find that during the year 1975-76 excess expenditure had occurred under 45 Voted Grants and 7 Charged Appropriations which shows that the phenomenon of excess expenditure was more widely spread than in any previous year. The excess during the year is more prominently noticeable in the grants administered by the Ministry of Home Affairs, Ministry of Railways, Ministry of Defence and P&T Board. The Committee would like the Ministries concerned to take appropriate and concrete remedial measures to curb down the tendency of excess expenditure under advice to the Committee.

[S. No. 1 Appendix XXXVII (Para 1.8) of the Thirty-Eighth Report of the PAC (Sixth Lok Sabha)].

Action Taken

(i) Ministry of Defence:

The recommendation of the Committee in so far as it relates to the Ministry of Defence has been noted and suitable instructions have been issued to all concerned for taking appropriate and concrete remedial measures to curb down the tendency of excess expenditure over Voted Grants and Charged Appropriations. A copy of the instructions which were issued after being shown to DADS is enclosed.

[Ministry of Defence (D-Budget) U.O. No. F.11(3)-78/D(Budget) dated the 20th July, 1978.]

Recommendation

(COPY)

MINISTRY OF DEFENCE

D(BUDGET)

SUBJECT:—*Avoidance of excesses over Voted Grants and Charged Appropriations.*

The Public Accounts Committee in paras 1.8, 1.9, and 1.10 of its 38th Report (Sixth Lok Sabha) (1977-78) (Extracts enclosed) had commented on the occurrence of excess expenditure over Voted Grants/Charged Appropriations during the last several years and desired that the concerned Ministries should take appropriate and concrete remedial measures to curb down the tendency of excess expenditure under advice to the Committee.

2. The factors which generally contribute to excesses over Voted Grants/Charged Appropriations are (i) defective estimation of monetary requirements, (ii) lack of proper and timely review of the progress of expenditure, (iii) failure to anticipate properly and provide for the receipt of stores and debits relating thereto, (iv) inadequate liaison and co-ordination with the suppliers on the one hand and the Accounts Officers on the other, (v) absence of adequate provision for adjustment of liabilities relating to previous years and (vi) avoidable misclassification of expenditure. It is, therefore, essential that adequate attention should be paid to all these factors with a view to curbing down the tendency of excess expenditure over sanctioned Grants.

3. Instructions already exist regarding preparation and submission of budget estimates of the Defence Services by the various estimating authorities at different stages as indicated below:—

(i) Preliminary Report for the current year.

— by 20th August.

(ii) Preliminary Revised Estimates for the current year and Forecast Estimates for the ensuing year.

— by 10th November.

(iii) Revised Estimates for the current year and Budget Estimates for the ensuing year.

— by 20th December.

(iv) Modified Appropriations for the current year.

— by 10th March.

Every effort should be made by the estimating authorities to frame the estimates on a realistic basis keeping in view not only the trend of actual expenditure but also all relevant factors, e.g. payment of outstanding liabilities, finalisation of tenders/contracts, delivery schedules, change in rates, escalation in prices, progress of Departmental Works etc. It is of utmost importance that the progress of expenditure should be reviewed periodically with a view to exercising proper control over expenditure and making suitable provision in the estimates so as to avoid any excess over Voted Grants and Charged Appropriations. For this purpose each estimating authority should keep a close watch on the trend of expenditure as shown in the monthly compilation of accounts received from the Accounts Office. Cases of delay in adjustment and of misclassification, if any, should be promptly taken up and sorted out. Besides, adequate and proper liaison should be established with the various supplying agencies (including Defence Public Sector Undertakings), Pay and Accounts Officers etc. to ensure that there is no excess over the Voted Grants/Charged Appropriations.

4. Attention of all the Administrative Sections in the Ministry is invited to the instructions conveyed in Ministry of Defence u.o. No. F.1(6)-77/D(Budget), dated 2-11-1977 in terms of which quarterly review of the progress of expenditure is required to be conducted by the Joint Secretaries concerned and reports sent to D(Budget) Section. The quarterly review was prescribed in the context of shortfall in actual expenditure with reference to Budget Grants but while conducting these reviews it should also be specially seen whether there is any tendency of excess over Voted Grants/Charged Appropriations. If so, immediate remedial measures should be initiated to curb the tendency. Besides, the reasons for the excesses should be analysed as soon as they occur so that timely rectificatory steps could possibly be taken. A review of the reasons for excesses over Grants during the past few years shows that they occurred mainly under:—(i) Pay & Allowances, (ii) Transportation (iii) Stores and (iv) Works expenditure due to inaccurate/under estimates under

these heads. As such, suitable remedial measures should be taken to project accurate/proper estimates against these heads at different stages as and when revision of rates etc. takes place. Also it should be ensured that no expenditure is incurred in excess of the allotment of funds wherever such allotments are made. It is possible to realistically estimate the overall effect of upward revision of Pay & Allowances and tariff rates of railways/electricity/water etc. The position in regard to materialisation of supplies is not dissimilar.

5. Apart from the steps mentioned in the foregoing paragraphs all the estimating authorities should also undertake a detailed review of the existing system of budgeting and control of expenditure and suggest measures including those relating to recasting of the existing heads of account, where essential, in order to reduce the variations to the minimum. The proposals in this regard may be drawn up in consultation with associated Finance and sent to D(Budget) through the concerned administrative groups in the Ministry for further examination and necessary action.

Sd/- P. S. KOHLI,
Joint Secretary (P&C)

* * * * *
Copy to: * * * *

(ii) Ministry of Home Affairs

In order to curb the tendency of excess expenditure, all concerned authorities have already been directed in this Ministry's Circular letter No. 7/4/77-Ac. III, dated 13th April, 1978 (copy sent along with the Action Taken Note relating to para 2.7 of the above mentioned report) to avoid the common causes for excesses, such as, defective estimation of monetary requirements, lack of proper and timely review of the progress of expenditure, absence of adequate provision for adjustment of liabilities relating to previous years, incurring of expenditure by spending authorities over and above the sanctioned budget etc. and to ensure that the budget estimates are sent within the prescribed dates duly supported by adequate details and that the provisions of Rule 65 et seq. in GFR regarding control of expenditure are observed strictly. The concerned authorities have further been directed to analyse the reasons for the excesses as soon as these occur and take timely rectificatory steps *vide* this Ministry's Circular letter No. 7/3/78-Ac. III dated 27th April, 1978 (copy enclosed).

[Ministry of Home Affairs O.M. No. 7/3/78-Ac. III dated the 12th
May, 1978]

(COPY)

Most Immediate

No. 7/3/78-AC. III

GOVERNMENT OF INDIA/BHARAT SARKAR
 MINISTRY OF HOME AFFAIRS/GRIH MANTRALAYA

To

All Heads of the Departments/
 Administrators of the UTs without
 Legislature etc.

New Delhi-110001

the 27 April, 1978

7 Vaisakha, 1900 (Saka)

SUBJECT: *Public Accounts Committee Report No. 38 (Sixth Lok Sabha) (1977-78)—Excesses over Voted Grants and Charged Appropriations.*

Sir,

I am directed to say that the Public Accounts Committee have in paras 1.8, 1.9 and 1.10 of their 38th Report (Sixth Lok Sabha) observed as follows:—

1.8. The aggregate amount of excess expenditure over Voted Grants and Charged Appropriations during the past decade ranged between Rs. 3.78 crores in 1968-69 to Rs. 266.52 crores in 1974-75. The Committee had only a year ago expressed the view that the extent of deterioration under some of the Grants during 1974-75 cannot be taken lightly and should cause concern to Government. The Committee find that during the year 1975-76 excess expenditure had occurred under 45 Voted Grants and 7 Charged Appropriations which shows that the phenomenon of excess expenditure was more widely spread than in any previous year. The excess during the year is more prominently noticeable in the grants administered by the Ministry of Home Affairs, Ministry of Railways, Ministry of Defence and P&T Board. The Committee would like the Ministries concerned to take appropriate and concrete remedial measures to curb down the tendency of excess expenditure under advice to the Committee.

1.9. The analysis of the reasons for the excess over authorised expenditure during 1974-75 had generally indicated that defective estimation of monetary requirements, lack of proper and timely review of the progress of expenditure, failure to anticipate properly

and provide for the receipt of stores and debits relating thereto, inadequate liaison and coordination with the suppliers on the one hand and the Accounts Officers on the other, absence of adequate provision for adjustment of liabilities relating to the previous years and avoidable misclassifications of expenditure had, as in the past, continued to contribute to excesses.

1.10. The Committee find that the reasons for excess over authorised expenditure during the year 1975-76, as analysed and discussed in some details in the succeeding Chapter of this Report are quite similar to those narrated in para 1.13 of their 227th Report (Fifth Lok Sabha). While sharing of the hope expressed by the Ministry on the anticipated improvements as a result of the scheme of separation of accounts from Audit, the Committee would urge that the reasons for the excesses should be analysed as soon as they occur so that timely rectificatory steps could possibly be taken.

2. In this connection attention is invited to this Ministry's Circular letter No. 7/4/77-AC. III, dated the 13th April, 1978, wherein it was directed that the common causes for excesses, such as defective estimation of monetary requirements, lack of proper and timely review of the progress of expenditure, absence of adequate provision for the adjustment of liabilities relating to the previous years, incurring of expenditure by spending authorities over and above the sanctioned budget etc. should be avoided and that the budget estimates should be sent within the prescribed dates duly supported by the requisite details. These directions and the rules regarding control of expenditure contained in Rule 65 et seq in G.F.R. should be observed strictly. It is further directed that the reasons for the excesses should be analysed as soon as they occur and timely rectificatory steps taken.

3. The receipt of this communication may please be acknowledged.

Yours faithfully,

Sd/- R. R. SAVOOR,
Financial Adviser.

No. 7/3/78-AC. III the 27 April, 1978

Copy to:—

1. JS(A), M.H.A., New Delhi.
2. Director (Admn.), Deptt. of Personnel & A.R., New Delhi.

Sd/- R. R. SAVOOR,
Financial Adviser.

Copy forwarded for information to all Sections of Ministry of Home Affairs, New Delhi as per list attached.

(iii) Ministry of Railways (Railway Board)

The Public Accounts Committee (1977-78) have desired, *vide* para 1.8 of their 38th Report on Excesses Over Voted Grants and Charged Appropriations for the year 1975-76, that the Ministries concerned should take appropriate and concrete remedial measures to curb the tendency of excess expenditure under advice to the Committee.

2. So far as Railways are concerned, instructions have again been issued to the Railways in Ministry of Railways letter No. 76-App/7-2/75-76 dated 6-3-78 emphasizing the need for framing their requirements of funds more realistically. They have been instructed to:—

- (i) Analyse the reasons for the excesses and make concerted efforts to exercise greater care in estimating the requirements and framing budget proposals more realistically.
- (ii) Re-examine the existing procedure of estimation of expenditure and of framing budget proposals with a view to further streamlining so as to avoid excesses in future.

3. The Ministry of Railways would like to assure the Committee that the need to eliminate excesses over voted grants/charged Appropriations has been and will continue to receive their special consideration.

[Ministry of Railways (Railway Board) O.M. No. 77-BC-PAC/VI/38 dated the 23rd May, 1978.]

(iv) Ministry of Communications (P&T Board)

The observations of the PAC have been noted carefully and suitable instructions issued to all heads of circles/Dists. in this office letters No. 1-32/77-B dated 11-4-78 and 8-3/74-CB dated 11-4-78 (Copies enclosed). It is hoped that the position would improve.

This has been seen by Chief Auditor P&T.

[Ministry of Communications (P&T Board) O.M. No. 1-32/77-B (Pt.) dated the 19th June, 1978.]

(COPY)

INDIAN POSTS AND TELEGRAPHS DEPARTMENT
OFFICE OF THE DIRECTOR GENERAL OF POSTS AND
TELEGRAPHS

No. 1-32/77-B

Dated at New Delhi-1, the 11-4-76

To

General Manager, Telecom. Stores, Calcutta-700013

Sub: Regularisation of excess expenditure over sanctioned provision in Grant No. 17—Capital Outlay on Posts and Telegraphs 1975-76.

The final accounts of the Department during the past four years or so have revealed that there has been excess over sanctioned Grant in the Stores Suspense portion of the Capital Grant, necessitating regularisation of such excess expenditure by Parliament every year. Detailed explanations for the excess expenditure had to be given to the satisfaction of the Public Accounts Committee, before they could recommend the regularisation of the same. The committee have taken a very serious view of the annual phenomenon of excess over sanctioned Grant under Capital Demand and have desired that effective steps should be taken to achieve proper budgetary control in future.

An analysis of the excess over Grant under Stores Suspense for the past few years shows that the main reason contributing to the excess expenditure has been the shortfall in issues of stores to works. While the procurement of stores has been kept more or less at the estimated level, the issues from the Stores Organisation have been far below the budgetted figure, resulting in excess in the Net debit i.e. Grant. This has also led to the unhealthy and uneconomical trend of accumulation of stock.

Urgent and effective action is necessary to arrest this trend, by streamlining the machinery for issue of stores so that issues in a particular year are on par with the procurement and in no case below the budgetted level. Instructions may be issued to the Main Depots and the Circle Depots to step up the pace and quantities of issues and to avoid accumulation of stock and outstanding items. If any difficulties are faced by the Depots in this connection, immediate corrective action may be taken in consultation with the concerned Telecom Circle/District. Separate instructions are also under issue to the Telecom Circles/District in this regard. No efforts should be

spared for achieving the object of increased issues of stores, so that the Department does not face the prospect of excess expenditure over sanctioned Grant under Stores 'Suspense in future.

While furnishing the information relating to estimates of procurement and issues to this office, it may please be ensured that the same is prepared on a realistic basis, so that there is no wide variation between the sanctioned estimates and actual performance.

Kindly acknowledge receipt of this letter.

Sd/-
(MOHINDAR PAL SINGH),
Deputy Director General (TA)

Copy to:—

- (1) All Heads of Telecom Circles/Districts.
- (2) All GMMs/GMPs.
- (3) GM, T&D Circles Jabalpur.

They are requested to ensure that stores indented from the Depots are lifted and utilized in work expeditiously. The estimates of stores requirements may be prepared accurately with reference to Capital Works programme and the stores provision in the budget utilized to the maximum extent.

Sd/-
(MOHINDAR PAL SINGH),
Deputy Director General (TA)

(COPY)

INDIAN POSTS AND TELEGRAPHS DEPARTMENT

Office of the Director-General, Posts & Telegraphs, New Delhi.

No. 8-3/74-CB dated at New Delhi. the 11th April, 1978.

To

1. All General Managers, Telecom Circles.
2. All General/District Managers, Telephone Dts.
3. General Managers, Projects, By/CA/MS/ND.
4. General Managers, Maintenance, By/CA/MS/ND.
5. General Manager, Telecom Factory, Calcutta.
6. General Manager, Telecom Stores, Calcutta.
7. General Manager, T&D Circle, Jabalpur.
8. General Manager, ALTTC., 20 Ashok Road, New Delhi.
9. Director, T.R.C., New Delhi/T.T.C., Jabalpur:

Sub: Control over Expenditure on Capital Works.

The Final Accounts for the year, 1975-76 resulted in an excess of Rs. 11,94,67,139 over the voted Grant No. 17—Capital Outlay on Posts and Telegraphs as detailed below:—

	Capital Works	Stores and Manufacture Suspense	Total
(i) Original Grant	1 55,78,00,000	16,76,00,000	1,72,54,00,000
(ii) Supplementary Grant	16,40,00,000	3,60,00,000	20,00,00,000
TOTAL	1,72,18,00,000	20,36,00,000	1,92,54,00,000
(iii) Sanctioned Grant			
(iv) Actual Expenditure	1,79,92,39,853	24,56,27,286	2,04,48,67,139
(v) Excess	7,74,39,853	4,20,27,286	11,94,67,139

1.2. The excess expenditure of Rs. 7,74 lakhs under works portion of the Grant was mainly due to the following two factors:—

- (i) An excess of Rs. 13.45 lakhs under '556-B. 2. Local Telephone Systems' due to increase in costs and quantities of Telephone equipments not anticipated earlier.
- (ii) A saving of Rs. 5.87 lakhs under '556-B. 4. Transmission Systems' due to less receipt of imported cable (Rs. 3.58 lakhs) less expenditure under Lines & Wires (Rs. 8.44 lakhs) under B.4.(1) and B.4.(5) partly offset by more receipts of microwave requirements and 'other components' (Rs. 6.15 lakhs).

The balance of excess of Rs. 16 lakhs is the cumulative effect of savings and excesses under various components of 555-A. Postal Services.

1.3. The excess expenditure of Rs. 4,20 lakhs under 'Stores and Manufacture Suspense' was mainly due to increase in procurement and fall in Issues to Capital Works.

2.1. A note on the above lines, to the Public Accounts Committee for recommending regularisation of excess over the voted Grant was furnished. Now after taking into account the material placed before them the Public Accounts Committee in Para 2.69 of their Thirty Eighth Report have observed as under:—

"2.69. The Committee note that 'an excess of Rs. 11.95 crores occurred under the Grant No. 17 'Capital Outlay on Posts and Tele-

graphs' during the year, 1975-76. There was an excess expenditure of Rs. 9.04 crores under this grant during the year, 1974-75 also. The Committee would like to know 'why the increase in costs and quantities of Telephone equipments, and increase in procurement of general stores could not be anticipated and provided for.' The Committee were informed by the P&T Board in February, 1976, that a decision had been taken to purchase articles required solely for the P&T Department directly and not through the agency of D.G., S & D. which was expected to improve the Budgetary Control. The Committee would like to observe through the next year's Appropriation Accounts how far direct purchases have improved the budgetary control".

2.2. It would be observed that the Public Accounts Committee are very much critical of the excesses which are persisting in the Voted Grant of Capital Outlay on Posts and Telegraphs for a number of years as indicated below:—

(In Crores of Rs.)

Year	Grant/Expenditure	Capital Works	Stores and Manufacture Suspense	Total (3+4)
(i) 1972-73	Sanction Grant	120.00	25.27	145.27
	Expenditure	98.52	36.11	134.63
	Excess (+)			
	Saving (—)	(—) 21.48	(+) 10.84	(—) 10.64
(ii) 1973-74	Sanctioned Grant	115.30	9.67	124.97
	Expenditure	98.56	28.99	127.55
	Excess (+)			
	Saving (—)	(—) 16.74	(+) 19.32	(+) 2.58
(iii) 1974-75	Sanctioned Grant	133.06	21.94	155.00
	Expenditure	138.49	25.55	164.04
	Excess (+)			
	Saving (—)	(+) 5.43	(+) 3.61	(+) 9.04
(iv) 1975-76	Sanctioned Grant	172.18	20.36	192.54
	Expenditure	179.93	24.56	204.49
	Excess (+)			
	Saving (—)	(+) 7.75	(+) 4.20	(+) 11.95
(v) 1976-77	Sanctioned Grant	214.53	18.51	233.04
	Expenditure	208.10	41.14	249.24
	Excess (+)			
	Saving (—)	(—) 6.43	(+) 22.63	(+) 16.20

2.3. The table given above would go to show that the excess expenditure over the sanctioned Grant is persisting for quite sometime either in Capital Works portion or the Stores and Manufacture Suspense portion, of the Grant or in both. Since the excess under 'General Stores and Manufacture Suspense' is generally attributable to lesser 'Issues to Capital Works', it affects the Capital Works portion of the Grant. Therefore, there is a great need for tightening of the budgetary control.

3.1. While examining the reasons for excess expenditure under Capital Works Portion of the Grant during the year, 1975-76, it was found that the increase in costs and quantities of Telephone equipments was anticipated earlier and provided for to the extent of Rs. 8.93 Crores under "556-B.2. Local Telephone Systems" by obtaining a Supplementary Grant of Rs. 20 crores, but this proved to be inadequate and the provision fell short by Rs. 13.45 crores.

3.2. Though the final Accounts for the year, 1976-77 have disclosed a saving of Rs. 6.43 crores in the Capital Works portion of the Grant, yet an analytical review has revealed that there had been excesses as under:—

(i) 556. B. 1.—*Telegraphs System.* + Rs. 1.94 crores:

Due to heavy procurement of Apparatus & Plant under Telex System not anticipated earlier.

(ii) 556. B. 2.—*Local Telephone System.* + Rs. 3.54 crores

Due to increase in prices & quantity of telephone equipments not anticipated earlier

(iii) 556 B. 3.—*Long Distance Switching Systems* + Rs. 3.29 crores.

Due to more procurement of equipments for Trunk Exchanges (both Automatic & Manual).

4.1. Whether there is excess or saving, it is a serious matter as it indicates defective budgetting, lack of coordination and ineffective control over expenditure. The detailed instructions were issued under this office circular letter of even Number dated the 27th July, 1977 with which extracts from the 227th Report of Public Accounts Committee on excesses over Voted Grant for the year, 1974-75 were also forwarded for taking remedial measures to keep the expenditure within the Sanctioned Grant. It appears the instructions have not been implemented in the right perspective with the result that there does not seem to be much of improvement.

4.2. Since the Public Accounts Committee are critical of any excess/saving over the voted Grant, you are requested to take positive steps in the matter so that there is marked improvement in this regard.

Sd/-
(MOHINDAR PAL SINGH),

Deputy Director-General, (T.A.)

Copy to C.A.D. & I.F.A.

Telecommunication Circle,
Telephone District

Recommendation No. 1 (Para 1.8)

The aggregate amount of excess expenditure over Voted Grants and Charged Appropriations during the past decade ranged between Rs. 3.78 crores in 1968-69 to Rs. 266.52 crores in 1974-75. The Committee had only a year ago expressed the view that the extent of deterioration under some of the Grants during 1974-75 cannot be taken lightly and should cause concern to Government. The Committee find that during the year 1975-76 excess expenditure had occurred under 45 Voted Grants and 7 Charged Appropriations which shows that the phenomenon of excess expenditure was more widely spread than in any previous year. The excess during the year is more prominently noticeable in the grants administered by the Ministry of Home Affairs, Ministry of Railways, Ministry of Defence and P & T Board. The Committee would like the Ministries concerned to take appropriate and concrete remedial measures to curb down the tendency of excess expenditure under advice to the Committee.

Recommendation No. 2 (Para 1.9)

The analysis of the reasons for the excess over authorised expenditure during 1974-75 had generally indicated that defective estimation of monetary requirements, lack of proper and timely review of the progress of expenditure, failure to anticipate properly and provide for the receipt of stores and debits relating thereto, inadequate liaison and coordination with the suppliers on the one hand and the Accounts Officers on the other, absence of adequate provision for adjustment of liabilities relating to the previous years and avoidable misclassifications of expenditure had, as in the past, continued to contribute to excesses.

Recommendation No. 3 (Para 1.10)

The Committee find that the reasons for excess over authorised expenditure during the year 1975-76, as analysed and discussed in

some details in the succeeding Chapter of this Report are quite similar to those narrated in para 1.13 of their 227th Report (Fifth Lok Sabha). While sharing of the hope expressed by the Ministry on the anticipated improvements as a result of the scheme of Separation of accounts from Audit, the Committee would urge that the reasons for the excesses should be analysed as soon as they occur so that timely rectificatory steps could possibly be taken.

[Sl. Nos. 1 to 3 of Appendix XXXVII (paragraphs 1.8 to 1.10) of 38th Report of P.A.C. (Sixth Lok Sabha)].

Action Taken

The above recommendations have been accepted by Government and circulated to all Ministries/Departments *vide* Ministry of Finance O.M. No. F.12(2)-E(Coord)/78 dated the 17th February, 1978 (copy enclosed).

[Ministry of Finance, Department of Expenditure O.M. No. F.12(2)-E(Coord)/78, dated the 19th June, 1978]

(COPY)

No. F.12(2)-E(Coord)/78

Government of India

Ministry of Finance

Department of Expenditure

New Delhi, the 17th February, 1978

OFFICE MEMORANDUM

Subject:—Public Accounts Committee Report No. 38 (Sixth Lok Sabha) (1977-78)—Excesses over Voted Grants and Charged Appropriations.

The undersigned is directed to forward herewith for information and necessary action the extracts of paras 1.8, 1.9 and 1.10 (Recommendation Nos. 1, 2 and 3 in Appendix XXXVII) of the Public Accounts Committee Report mentioned above. Appropriate measures may be taken by the Ministries and special attention paid to the objectives of rules and orders regarding control over expenditure *vis-a-vis* budget appropriations so that occurrence of excesses over sanctioned Grants is avoided. The Committee's recommendation that the reasons for excesses should be analysed as soon as they occur may be noted in particular.

2. In para 1.8 (Recommendation No. 1), the Committee has required that the Ministries of Home Affairs, Railways, Defence and

P&T Board should take appropriate and concrete remedial measures, under advice to the Committee, to avoid excess expenditure over Voted Grants and Charged Appropriations. During 1975-76, this phenomenon was more prominently noticeable in the grants administered by them. The Ministries concerned may forward to the Lok Sabha Secretariat under intimation to this Ministry (Department of Expenditure) their "Notes" regarding concrete remedial measures to avoid Excesses Over Voted Grants.

Sd/- J. P. DAS

Joint Secretary to the Government of India.

To

All Ministries/Departments of the Govt. of India.

No. F.12(2)-E(Coord)/78

Copy forwarded to all Financial Advisers for information and appropriate action.

Sd/- J. P. DAS

Joint Secretary to the Government of India.

Extracts of paras 1.8, 1.9 & 1.10 (Recommendation Nos. 1, 2 & 3) in (Appendix (XXXVII) of the Public Accounts Committee 1977-78) (Sixth Lok Sabha)—38th Report—regarding Excesses over Voted Grants and Charged Appropriations.

1.8. The aggregate amount of excess expenditure over Voted Grants and Charged Appropriations during the past decade ranged between Rs. 3.78 crores in 1968-69 to Rs. 266.52 crores in 1974-75. The Committee had only a year ago expressed the view that the extent of deterioration under some of the Grants during 1974-75 cannot be taken lightly and should cause concern to Government. The Committee find that during the year 1975-76 excess expenditure had occurred under 45 Voted Grants and 7 Charged Appropriations which shows that the phenomenon of excess expenditure was more widely spread than in any previous year. The excess during the year is more prominently noticeable in the grants administered by the Ministry of Home Affairs, Ministry of Railways, Ministry of Defence and P&T Board. The Committee would like the Ministries concerned to take appropriate and concrete remedial measures to curb down the tendency of excess expenditure under advice to the Committee.

1.9. The analysis of the reasons for the excess over authorised expenditure during 1974-75 had generally indicated that defective esti-

mation of monetary requirements, lack of proper and timely review of the progress of expenditure, failure to anticipate properly and provide for the receipt of stores and debits relating thereto, inadequate liaison and coordination with the suppliers on the one hand and the Accounts Officers on the other, absence of adequate provision for adjustment of liabilities relating to the previous years and avoidable misclassifications of expenditure had, as in the past, continued to contribute to excesses.

1.10. The Committee find that the reasons for excess over authorised expenditure during the year 1975-76, as analysed and discussed in some details in the succeeding Chapter of this Report are quite similar to those narrated in para 1.13 of their 227th Report (Fifth Lok Sabha). While sharing of the hope expressed by the Ministry on the anticipated improvements as a result of the scheme of separation of accounts from Audit, the Committee would urge that the reasons for the excesses should be analysed as soon as they occur so that timely rectificatory steps could possibly be taken.

* * * *

Recommendation

2.2. According to the revised time schedule agreed to by the Committee in April 1974, explanatory notes on excesses over Voted Grants and Charged Appropriations are required to be submitted to the Committee by 31 May, or immediately after the presentation of the Appropriation Accounts to Parliament, whichever is later. From a perusal of the statement on preceding pages, it is seen that whereas explanatory notes relating to 30 Grants/Charged Appropriations administered by various Ministries/Departments were received within the period prescribed in the revised schedule, i.e., by 31 May, 1977, three notes relating to Grants/Appropriations administered by Ministry of Labour, Ministry of Health and Family Welfare and the Department of Atomic Energy were received on 1 June, 1977 i.e., a day after the expiry of the prescribed period. Although, the Appropriation Accounts (Railways) were laid on the Table of the House on 13 June, 1977, the explanatory notes relating to all the 12 Grants and 1 Charged Appropriation administered by the Ministry of Railways were furnished on 16 July, 1977. Similarly, the explanatory notes relating to 2 Grants administered by the Ministry of Defence, which ought to have been furnished immediately after the presentation of the Appropriation Accounts (Defence) to Parliament on 2 July, 1977, were received on 3 August 1977. The explanatory note relating to the Grants administered by the Ministry of Communications (P & T Board) was received on 24 June,

1977, i.e., the day on which Appropriation Accounts (F & T) were laid on the Table of the House.

[S. No. 4 of Appendix XXXVII Para 2.2 of 38th Report of P.A.C. (6th Lok Sabha)]

2.3. Only a year ago, while recognising that there was a perceptible improvement in the timely submission of explanatory notes, the Committee had expressed the hope that every endeavour would be made by all concerned to ensure scrupulous adherence to the scheduled. Although the above observations of the Committee were brought to the notice of all Ministries/Departments, the Committee find that as some delays still continue to persist in the submission of explanatory notes on Excesses over Voted Grants and Charged Appropriations. While three notes relating to Grants/Appropriations administered by Ministry of Labour, Ministry of Health and Family Welfare and Department of Atomic Energy were received on 1 June 1977, a day after the expiry of the prescribed period i.e. 31 May, the notes relating to all the grants administered by the Ministry of Railways were received on 16 July, 1977. The notes relating to two Grants/Appropriations governed by the Ministry of Defence were received as late as 3rd August 1977. The Committee in particular take a serious view of this delay and desire fixation of responsibility for appropriate action. The Committee need hardly point out that time and again, it has been emphasised that any delay in the submission of these 'notes' to the Committee thwart the programme of expeditious finalisation of the Report on Excesses over Voted Grants and Charged Appropriations and presentation thereof to the Parliament. The Committee would once again like to stress the need for making all out efforts by all concerned to eliminate the avoidable delays in future by ensuring strict adherence to schedule prescribed in this regard so that the excesses are expeditiously brought before Parliament.

[S. No. 5 Appendix XXXVII Para 2.3 of 38th Report of P.A.C. (6th Lok Sabha)]

Action Taken

(i) Ministry of Finance (Department of Expenditure):

The Budget Division of the Ministry of Finance had striven hard to ensure strict adherence to the prescribed schedule for submission of notes relating to excesses to the Public Accounts Committee. English version of notes in respect of excesses under Grants/ Ap-

appropriations administered by Ministry of Labour, Ministry of Health and Family Welfare and Department of Atomic Energy were also sent to the Lok Sabha Secretariat within 31st May, 1977—the note relating to excess under Grant No 96—Nuclear Power Schemes was sent on 25th May, 1977 while notes on excesses under the Grants (No. 66—Labour and Employment) and (No. 43—Ministry of Health and Family Planning) were sent along with another note on excess under Grant No. 52—Delhi on 31st May, 1977. However, Hindi version of these notes was sent on 1st June, 1977.

As regards, delays in the submission of notes by the Ministries of Defence and Railways, they have been requested to take necessary action and intimate the position to the Committee direct.

[Ministry of Finance (Department of Expenditure) O.M. No. F 8 (4) (B)—(R&A)/77 dated the 11th May, 1978]

(ii) *Ministry of Railways (Railway Board)*

The reasons for the delayed submission of the explanatory note have been examined. The officials concerned have been cautioned to be more careful in future in the expeditious processing of the draft note at various stages. It would be ensured that concerted efforts are made by all at all levels to eliminate any avoidable delay, so that the prescribed schedule for the submission of the note to the Public Accounts Committee is adhered to strictly in future.

This has been seen by Audit.

[Ministry of Railways (Railway Board) O.M. No. 77-BC-PAC VI/38 dated the 18th March, 1978].

(iii) *Ministry of Defence*

In the Appropriation Accounts (Defence Services) for the year 1975-76 there were excesses in respect of the following Grants/Charged Appropriation:—

A—*Voted Grants*

Grant No. 19—Army

Grant No. 21—Air Force

B—*Charged Appropriation*

Grant No. 20—Navy

2. The Appropriation Accounts (Defence Services) for the year 1975-76 were presented to Parliament on 2-7-1977. The explanatory notes on the excesses in respect of the above-noted Voted Grants/Charged Appropriation were, therefore, required to be submitted to the Public Accounts Committee immediately after 2nd July, 1977.

3. In the case of the Charged Appropriation relating to Grant No. 20—Navy, the explanatory note was submitted to the Committee on 7-7-1977, i.e., within five days of the presentation of the Appropriation Accounts (Defence Services) to Parliament. The Committee's recommendations/observations contained in para 2.3 of their 38th Report (Sixth Lok Sabha) relate to the delay that had occurred in the submission of explanatory notes on the excesses in respect of the other two Grants, viz., Grant No. 19—Army and Grant No. 21—Air Force. The explanatory notes in these two cases were submitted to the Committee on 3-8-1977, i.e., about a month after the presentation of the Appropriation Accounts to Parliament on 2-7-1977. The circumstances under which there was delay in submission of the notes in these two cases are explained in the succeeding paragraphs.

4. The main factor contributing to the delay was the time taken in collecting the material required for the preparation of the explanatory notes from the various estimating authorities concerned. The exact figures of excess expenditure for the year were known in the second week of January, 1977, when the final figures of actual expenditure for the year 1975-76 became available. The excess expenditure over Voted Grant in respect of Grant No. 19—Army was the net result of savings and excess expenditure against various Minor Sub-heads under the Grant. The concerned estimating authorities were addressed on 15-1-1977 for furnishing the explanations for the variations. Unfortunately there was some delay on the part of some of the estimating authorities in furnishing the requisite information after getting it vetted by the associated Finance. Besides, some time was also lost in exchanging internal notes between the Ministry and the Army Headquarters, on the question as to whether a consolidated note showing the reasons for variations should not be furnished by the Financial Directorate of the Army HQrs. in consultation with the concerned estimating authorities. Finally, a consolidated draft explanatory note was prepared by D(Fudget) section of this Ministry on the basis of information furnished by the various estimating authorities and the draft note was sent to Ministry of Finance (Defence Budget) on 8-6-1977 for vetting. A statement showing the chronological sequence of the progress of the case is enclosed from which it will be observed that the note had to be revised on several occasions on the basis of the remarks of the Ministry of Finance (Defence Budget), Ministry of Finance (Department of Economic Affairs) and the DADS before the note was finally vetted by DADS on 1-8-1977. The note as finally vetted by DADS was sent to Ministry of Finance (Department of Economic Affairs) on 2-8-1977 for submission to the Committee.

5 Similarly, in the case of Grant No. 21—Air-Force, Air HQrs. were asked on 17-11-1976 to furnish a self-contained note explaining the reasons for the excess expenditure, duly approved by JS (Air) and vetted by associated Finance. Unfortunately, it took some time to collect the material required for preparing the explanatory note. The draft note was prepared and sent to the Ministry of Finance (Defence Budget) on 27-5-1977 for vetting. A statement showing the chronological sequence of the progress of the case is enclosed from which it will be seen that the note had to be revised on several occasions on the basis of the remarks of the Ministry of Finance and DADS before the note was finally vetted by DADS on 1-8-1977. The note as finally vetted by the DADS was sent to the Ministry of Finance (Department of Economic Affairs) on 2-8-1977 for submission to the Committee.

6 In view of the position explained above the explanatory notes could not be submitted to the Public Accounts Committee before 3-8-1977, i.e., about a month after the presentation of the Appropriation Accounts (Defence Services) for 1975-76 on 2-7-1977. The delay was mainly due to the time taken at the initial stage in collecting material for preparation of the notes from the various estimating authorities concerned and then in getting the notes vetted by the Ministry of Finance. It is not possible to pin point responsibility on any particular official for the delay that had occurred in this case. The recommendations/observations of the Committee have been noted for compliance and all out efforts will be made to eliminate avoidable delays in future by ensuring strict adherence to the time schedule prescribed for submission of the explanatory notes to the Committee.

DADS has seen.

[Ministry of Defence (D-Budget) U.O. No. F. 11(5)-77/D (Budget)
dated the 12th May, 1978.]

STATEMENT SHOWING THE CHRONOLOGICAL SEQUENCE OF
THE PROGRESS OF SUBMISSION OF THE NOTE REGARD-
ING REGULARISATION OF EXCESS OVER VOTED GRANTS
--DEMAND NO. 19--DEFENCE SERVICES--ARMY.

1

Draft Note passed on to DFA(B) for vetting on 8-6-1977.

2

Draft Note vetted and returned by DFA(B) on 14-6-1977.

92

3

Draft Note as further modified sent to DFA (B) after the JS (P&C) has seen on 5-7-1977.

4

Received back with remarks of DFA (B) on 5-7-1977.

5

Note sent to Min. of Fin. (Deptt. of Eco. Affairs) on 6-7-1977.

6

A revised note prepared and sent to Min. of Fin. (Def./Bud) by Min. of Fin. (Deptt. of Eco. Affairs) on 11-7-1977.

7

Passed on to D (Budget) by MFD (B) on 12-7-1977 for comments and also for filling in the blanks in the revised note.

8

Note sent to MFD (B) on 15-7-1977 by D (Budget).

9

Returned to D (Budget) on 16-7-1977.

10

DADS in their U.O. No. 482/DP-98(17)/75-76, dated 16-7-77 raised certain points on the advance copy of the note sent to them on 7-7-1977.

11

File sent to DADS on 18-7-77 for vetting the revised note.

12

Returned to D (Budget) by DADS with their comments on 26-6-1977.

13

Draft note modified and sent to Min. of Fin. (Def. | Bud.) on 28-7-1977.

14

Received back in D (Budget) with the remarks of Min. of Fin. (Def. | Bud.) on 29-7-1977.

15

Sent to DADS on 30-7-1977.

16

Returned to D (Budget) on 1-8-1977.

17

Note as finally vetted and approved by JS (P & C) sent to Ministry of Finance (Deptt. of Economic Affairs) 55 copies on 2-8-1977.

**STATEMENT SHOWING THE CHRONOLOGICAL SEQUENCE OF
THE PROGRESS OF SUBMISSION OF THE NOTE REGARD-
ING REGULARISATION OF EXCESS OVER VOTED GRANTS
DEMAND NO. 21—DEFENCE SERVICES—AIR FORCE.**

1

A draft note was prepared by D(Budget) and passed on to the Min. of Fin. (Def.|Bud.) on 27-5-1977 for vetting.

2

Min. of Fin. (Def.|Bud.) returned the file and received on 1-6-1977 with certain amendments on the note.

3

Two copies of the note forwarded to Min. of Fin. (Def. Bud) on 5-7-1977 with the request to retain one copy and to forward the other copy to Ministry of Finance (Deptt. of Eco. Affairs). A copy of note was also sent to DADS for vetting.

4

Min. of Fin. (Def.|Bud) returned one copy of the note for onward transmission to Ministry of Finance (Deptt. of Eco. Affairs) direct.

5

File containing the note passed on to Ministry of Finance (Budget Division) on 7-7-1977.

6

Min. of Fin. (Budget Division) suggested revision of the note and sent the file containing the note to Min. of Fin. (Def.|Bud) on 21-7-1977.

7

Min. of Fin. (Def.|Bud.) sent the file containing the note to D(Budget) on 12-7-1977.

8

The note was revised and the file containing the note sent to Min. of Fin. (Def.|Bud.) on 15-7-1977 for vetting and onward transmission to the Min. of Fin. (Budget Division)|DADS.

9

Min. of Fin. (Def.|Bud.) returned the file to D(Budget) on 16-7-1977.

10

DADS asked for the folder containing the explanation for variation furnished by Air H Qrs/DFA (AF) vide their No. 475/DP/98/(77)/75-76, dated 15-7-1977.

94

11

A copy of the revised note sent to Min. of Fin. (Deptt. of Eco. Affairs) on 18-7-1977.

12

File containing the note sent to DADS on 18-7-1977.

13

File containing the note returned by DADS on 26-7-1977 with certain amendments and suggestions.

14

The note suitably revised and file containing the note sent to Min. of Fin. (Def. Bud.) on 28-7-1977.

15

File containing the note returned to D(Budget) by the Min. of Fin. (Def. Bud.) on 29-7-1977.

16

File containing the note sent to DADS on 29-7-1977.

17

DADS returned the case file on 1-8-1977.

18

Note finally sent to Min. of Fin. (Deptt. of Eco. Affairs) on 2-8-1977.

Recommendation

"That excesses over Voted Grants and Charged Appropriations administered by the Ministry of Home Affairs, Ministry of Works and Housing and Ministry of Shipping and Transport, should persist, only serves to reinforce the Committee's oft-repeated observations that adequate and serious attention was not being paid by some Ministries and Departments to the implementation of the Committee's recommendations. It seems that the instructions issued by the Ministries/Departments from time to time in this regard have failed to yield the desired results. The Committee desire that a detailed review of the existing arrangements should be undertaken in consultation with Ministry of Finance to devise suitable and effective measures with a view to remove the inherent defects in the existing systems. The Committee would like to be apprised of the result of the examination and the steps taken in this regard."

[S. No. 6, Appendix XXXVII, Para 2.7 of 28th Report of P.A.C. (6th Lok Sabha).]

Action Taken

(i) Ministry of Shipping and Transport (Transport Wing):

During the last five years from 1971-72 to 1975-76, the following excesses occurred in the four grants administered by the Ministry of Shipping and Transport.

(Rupees in lakhs)

Excesses

Grant	1971-72	1972-73	1973-74	1974-75	1975-76
(a) Ministry of Shipping and Transport	..	..	6.75	..	..
(b) Roads	230.30	49.32	..	..	69.19
Capital Outlay on Roads	..	320.36	..	..	..
(c) Ports, Lighthouses and Shipping					
Capital Outlay on Ports	2.92	..	..	..	} 4.70
Lighthouses & Shipping	..	6.15	..	5.02	
(d) Road and Inland Water Transport	..	..	..	..	..

2. The substantive reasons which led to the excesses in the case of Grants mentioned at (a) and (c) in the table above are briefly as under:

- (i) (a) Out of the excess of Rs. 6.75 lakhs in 1973-74, Rs. 5.80 lakhs was due to misclassification of expenditure and as such it did not require regularisation by Parliament. The remaining amount of Rs. 0.95 lakhs requiring regularisation was less than 1 per cent of the final grant.
- (ii) (c) The excess of Rs. 2.92 lakhs in 1971-72 and the excess of Rs. 470 lakhs (charged expenditure) in 1975-76 relating to acquisition of lands for Mangalore Harbour Project resulted owing to settlement of Court decrees where the amount and time of the award could not be foreseen.

The excess of Rs. 6.15 lakhs in 1972-73 was mainly due to unanticipated settlement of bills of Shipping Corporation of India for manning M. V. Sagardeep and a bill of Messrs Garden Reach Workshop, Calcutta for repair of Motor launch M.L. False Point which were received during the closing days of the financial year.

The Excess of Rs. 5.02 lakhs in 1974-75 was mainly owing to payment of arrears on account of revision in the pay scales in the Department of Lighthouses and Lightships, purchase of stores for workshop and also due to higher prices of stores. The excess was less than 0.5 per cent of the final grant.

3. It will be seen that the causes which led to excesses in the case of Grants at (a) and (c) above were unavoidable and had resulted, it is felt, not owing to any inherent defect in the existing budgetary arrangements|systems but on account of circumstances beyond control. The Committee's recommendation has, however, been circulated to all the Units of this Ministry drawing their attention to the instructions issued *vide* Ministry's letter No. BPC-16|75-I, dated the 20th January, 1976 with directions to tighten up further the existing budgetary procedures and controls to avoid excesses in future, *Vide* Ministry's O.M. No. BPC-11|77-I, dated 15-2-1978 (Annexure 'A').

4. As regards excesses relating to Grants "Roads", these have been further specifically questioned in Recommendation Nos. 20, 33 and 34 of the Report. Reply to these recommendations will be submitted separately and will cover the excesses mentioned at (b) in the table above.

5. This note has been concurred in by the Department of Expenditure.

[Ministry of Shipping and Transport (Transport Wing)
O.M. No. BPC-11|77, dated the 21st March, 1978.]

(COPY)

GOVERNMENT OF INDIA
MINISTRY OF SHIPPING AND TRANSPORT
(Transport Wing)

No. BPC-11/77-J

New Delhi, the 15th February, 1978.

SUBJECT.—Action taken on the recommendations contained in the 38th Report (Sixth Lok Sabha) of P.A.C. on excesses over Voted Grants Charged Appropriations for the year 1975-76 and on the action taken by the Government on the recommendations of the P.A.C. contained in their 227th Report (Fifth Lok Sabha).

In para 27 of their 38th Report (1977-78), the Public Accounts Committee have made the following observations:—

“That excesses over Voted Grants and Charged Appropriations administered by the Ministry of Home Affairs, Ministry of Works and Housing and Ministry of Shipping and Transport should persist, only serves to reinforce the Committee's oft-repeated observations that adequate and serious attention was not being paid by some Ministries/Departments to the implementation of the Committee's recommendations. It seems that the instructions issued by the Ministries/Departments to yield the desired results. The Committee desire that a detailed review of the existing arrangements should be undertaken in consultation with Ministry of Finance to devise suitable and effective measures with a view to remove the inherent defects in the existing systems. The Committee would like to be apprised of the result of the examination and the steps taken in this regard.”

2 Attention is also invited in this connection to this Ministry's endorsement No. BPC-16/75-I, dated 20-1-1976. It is once more reiterated that the existing budgetary procedures and controls should be further tightened up to avoid excesses in future.

Sd/- RAVI KATHPALIA,
Controller of Accounts.

- (a) DG(RD) & Add. Secretary|JS(S)|JS(P)|JS(T)|Secretary (BRDB)|Dir(MM)|Dir(PD)|Dir(L)|CE&A(IWT)|DS(PT)|DS(RT)|DS(C)|DS(R)|DS(E)|DS(BRDB)|C.C.C.
- (b) All Under Secretaries|Desk Officers|Sections in Transport and Roads Wing.
- (c) All attached and Subordinate Offices of the Ministry.

(ii) Ministry of Works & Housing:

During the last 6 years from 1970-71 to 1975-76, the following excesses occurred in the three grants administered by the Ministry Works & Housing:

Grant	Rupees in lakhs					
	1970-71	1971-72 (Rupees in Lakhs)	1972-73	1973-74	1974-75	1975-76
A. Public Works	494.80	330.41	662.16	227.50	0.83	1.53
B. Delhi Capital Outley	35.64	0.73	21.18	..	..	..
C. Ministry of Works & Housing	..	..	18.20	..	..	2.27

2. The main reasons which led to the excesses in Grants of the table above are as under:

A. Public Works

- (i) The excess during 1970-71 was mainly due to execution of works, additions and alternations of urgent nature and higher costs due to fluctuations of prices of the building materials, receipt of more materials than anticipated and hundred percent advance payments to suppliers of steel to avoid cancellation of quota.
- (ii) The excess during 1971-72 was mainly due to error in classification of expenditure, hundred percent advance payments for purchase of steel. Receipt of more Accountant Generals Memos than anticipated, non-receipt of deposits in time from Food Corporation of India and deposits made with D.E.S.U.
- (iii) The excess during 1972-73 was due to payment of additional dearness allowance and flood advances to work-charged staff, procurement of larger quantities of steel adjustment of debits of earlier years and payments in satisfaction of court decrees etc.
- (iv) The excess in 1973-74 was due to implementation of recommendations of the Third Pay Commission in respect of work-charged staff, payment of arrears of taxes/service charges to the New Delhi Municipal Committee, not anticipated earlier and more procurement of essential building material than expected.
- (v) The excess during 1974-75, which is less than Rs. 1 lakh was due to misclassification of expenditure as 'Charged' instead of 'Voted'.
- (vi) The excess during 1975-76 was mainly due to payment in satisfaction of arbitration awards, court decrees which could not be foreseen at the time of finalisation of estimates.

3. B. Delhi Capital Outlay.

- (i) The excess in 1970-71 was mainly due to local purchase of steel for certain items of works and accelerated progress of other works of urgent and important nature and payments in satisfaction of court decrees.
- (ii) The excess in 1971-72, which is less than Rs. 1 lakh, was mainly due to payment of arbitration awards court

decrees and errors in classification of 'Voted' expenditure as 'Charged':

- (iii) The excess in 1972-73 was mainly due to payments to the contractors to avoid loss of rebate allowed for monthly payments, completion of hostel building before the inauguration of Third Asian Fair and payments in satisfaction of court decrees of higher amounts than anticipated.

(ii) C. Ministry of Works and Housing.

- (i) The excess during 1972-73 was due to expenditure on Shum improvement in Delhi which should have been met from the Demands for Grants of the Ministry of Home Affairs but it was decided at a later stage to meet this expenditure from the Grants of the Ministry of Works and Housing when it was not possible to go in for Supplementary Grant.
- (ii) The excess during 1975-76 was mainly due to payment of additional dearness allowance, unanticipated expenditure on 'Over-time' allowances and adjustment of belated bills of Printing charges etc.

5. It will be seen that the excesses were generally due to larger procurement of building materials to avoid advance effects on works-in-progress, price fluctuation, hundred percent advance payments for controlled materials like steel and payment of arbitration awards and court decrees which could not be generally anticipated. However, instructions have since been issued vide D.O. No. 10/1/78-B (D.G.W.) dated 21st March, 1978 (Copy enclosed) to spending authorities that they should see that no excess payment is made over the budgetary grant even under the 'Charged' portion. It has also been impressed on the spending authorities that they should review the expenditure periodically to avoid errors in classifications and also review the progress vis-a-vis the Budget allocations. With the departmentalisation of Accounts, the position is expected to improve in course of time.

6. As indicated above strict instructions have been issued vide Memorandum No. 8 (2)/77-B (DGW) dated the 14th April, 78 (Copy enclosed) to ensure that adequate budget provision is available, if necessary by re-appropriation, before payment of court decrees/arbitration awards in order to avoid excesses. The situation in the matter of expenditure on 'States' is also showing im-

provement in that the fluctuations in the availability and prices of building materials are becoming less violent with passage of time, obviating the need for more expenditure on procurement than what had been anticipated.

7. This note has been concurred in by Department of Expenditure vire their O.M. No. F. 14(38)-E (Cord)/78 dated the 6th May, 1978. [Ministry of Works & Housing (Finance Division) Budget Unit Office Memoranda Nos. G-25015/2/77-Bt. dated the 12th May, 1978 and 7th June, 1978.]

(COPY)

D.O. No. 10|1|78-B (IGW)

GOVERNMENT OF INDIA

Office of the Director General (Works) Central Public Works
Department

New Delhi,

dated the 21st March, 1978.

My dear

As you are aware the Estimates Committee have expressed great concern over the consistent excesses/under runs in the budget under different heads of the Ministry of Works & Housing. The various reasons and the steps necessary to control the budgetary surrenders and excesses were discussed in a meeting with the Joint Secretary (Finance) on 16th March 1978. During the meeting it came to light that enough care is not being exercised in the preparation of re-appropriation orders and reconciling expenditure figures with those booked in the accounts of Pay & Accounts Officer. This is despite the fact that departmentalisation of accounts has been effected for over a year now a system exists whereby there should not be situations when a discrepancy between the figures of expenditure booked by Pay & Accounts Officers and by the Department should exist.

Further, any variations in the actual expenditure with the final allotments that are made on the basis of re-appropriation orders issued by the Chief Engineers are not easily understandable. While issuing the re-appropriation orders it is expected that the Chief Engineer would have seen the trend of the expenditure and also the state of sanctions and availability of the land etc. would have been examined before a projection for expenditure during the year is made and re-appropriation order issued. These reasons are generally reported in the Appropriation Accounts as the cause for variations. Obviously, such reasons cannot be accepted particularly

when the assessments are made in the very last month of the financial year.

Further, while examining the appropriation accounts for 1976-77 under the various grants operated by the CPWD, it has come to the notice that there would be a number of instances of misclassification and wrong booking of expenditure. You would appreciate that such instances cannot be taken lightly and are unparadonable for any financial prudence.

It has, therefore, been decided that:

1. Re-appropriation orders need not be issued only at the end of the financial year. These may be issued by the Chief Engineers, within their powers, at intermediate stages also during the financial year. As soon as the need arises and it becomes evident that the expenditure would be different from what is allotted a re-appropriation order should be issued or application for re-appropriation sent.
2. Chief Engineers should issue instructions to the various Executive Engineers and the Divisional Accountants to ensure that the corrections made by Pay and Accounts Officer in the monthly accounts, particularly on the classification of expenditure are incorporated immediately on the receipt of observations from the Pay & Accounts Officer. The Joint Secretary (Finance) is separately issuing instructions entailing that any instance of misclassification would be viewed seriously and responsibility fixed. This aspect may be brought to the notice of the Divisional Accountants who may be directed to be careful in future.
3. It has been decided that the Pay & Accounts Officers will give a circle-wise break-up of expenditure allotment figures to the Chief Engineers each month in the appropriation accounts. This will facilitate identification of areas where variations are expected and attention warranted. A meeting should be convened by the Chief Engineer within three days of receipt of these monthly appropriation accounts compiled by his Pay and Accounts Officer for the Zone. In the meeting the Chief Engineer should review the progress of expenditure and also take steps to get the differences, if any, reconciled. Further, if it becomes evident that the allotment made under different sub-heads will require any change, necessary re-

appropriation order or the application for re-appropriation should be issued as mentioned in para (1) above.

4. As for the Charged portion of the grant, no expenditure should be incurred without adequate allotment being made available. As soon as the award is received, the Chief Engineer should move the Ministry for making sufficient amount available to cover the award so that payment can be made. This would be necessary if adequate allotment is not already available with the Chief Engineer. The payment should, however, be made only when the assurance of funds is communicated by the Ministry who would take steps to get advance from the Contingency Fund of India, if necessary funds are not otherwise available with them. As this would mean sometime before the assurance of funds is communicated, the Chief Engineer should move the proposal for allotment of necessary funds immediately as soon as awards are received.

As for the year 1977-78, you may get the necessary reconciliation of expenditure done immediately. Further, the re-appropriation orders should be issued by you only after examining the expenditure under different sub-heads upto January 1978, which are available with the Pay and Accounts Officers now and the corresponding budget allotment under different sub-heads.

5. When the final re-appropriation accounts are prepared based on figures of expenditure supplied by Executive Engineers, the statement prepared by your Budget Section should be reconciled with the overall figures as per records of Pay & Accounts Office and discrepancies reconciled. Your Financial Officer and Pay and Accounts Officer will be jointly responsible to ensure that agreed figures are reported in reconciliation statement.

With best regards,

Yours sincerely,
(Sd.) V. R. Vaish

All the Chief Engineers in C.P.W.D. (By name).

Copy to Shri N. K. Rewari, Joint Secretary (F) for issue of suitable instructions to Divisional Accountants and Pay and Accounts Officers.

(Sd.) V. R. Vaish
Director General (Works)

(COPY)

PAY AND ACCOUNTS OFFICE
 DIRECTOR GENERAL OF WORKS
 C.P.W.D. 236 'A' Nirman Bhavan
 NEW DELHI-110011.

No. PAO (E-in-C) Comp./33/

Dated 5th April, 78

Shri.....

Accounts Officer,
 Pay & Accounts Office,
 C.P.W.D. ().....

.....

SUBJECT: *Classification of Expenditure*

The Public Accounts Committee have adversely commented upon the consistent excesses etc. occurring in the various heads under the Demands for Grants of this Ministry. It was felt during the discussions in the meeting held under the Chairmanship of the Joint Secretary (Finance) on 16th March, 1978, that enough care was not being exercised in reconciling the expenditure figures booked in the Pay and Accounts Offices with those of the Divisions and in rectifying the misclassification etc. coming to light as a result of the reconciliation. Instructions have already been issued to the Executive Engineers/Divisional Accountants to ensure that the reconciliation is done in time and that corrections required as a result of the reconciliation are carried out without fail (copy of these instructions have been sent to you separately). The Chief Engineers have been advised to hold monthly meetings with the concerned Pay and Accounts Office to discuss discrepancies coming to light as a result of reconciliation so as to ensure that both sets of figures are tallied every month.

Accounts Officers of the Pay and Accounts Offices are, therefore, requested to take steps to ensure that the misclassifications etc. that came to notice as a result of reconciliation of receipt/expenditure and/or are discussed in these meetings are duly rectified in their records, whenever necessary, and there is no occasion for any differences in the figures booked in the Pay and Accounts Offices and those available with the Chief Engineers. Monthly reports may be sent by the Pay and Accounts Offices to this office, latest by 25th of each month, regarding reconciliation of expenditure figures with the Chief Engineers, alongwith details of the action taken in the matter.

Receipt of this letter may be acknowledged.

Sd/- (G. C. PANT)

Dy. Controller of Accounts.

Copy forwarded for information and necessary action to:—

1. Director General of Works, C.P.W.D., New Delhi.
2. All Chief Engineers of the C.P.W.D.
3. Budget Section, Min. of W & H, Nirman Bhavan, New Delhi with reference to their endorsement No. G. 25015/2/77-Bt. dated the 31st March, 1978, forwarding copies of the minutes of the meeting held on 16-3-78 at 11 a.m. in the room of JSF. A copy of the orders already issued vide No. PAO (Comp) (DGW)/33 dated 30-3-78 is also enclosed.

Sd/- (G. C. PANT)

Dy. Controller of Accounts.

(COPY)

PAY AND ACCOUNTS OFFICE
DIRECTORATE GENERAL OF WORKS C.P.W.D.
236 'A' NIRMAN BHAVAN, NEW DELHI—110011

No. PAO (Comp.) (DGW)/33/190

Dated 30th March, 1978.

The Executive Engineer,
.....
.....

SUBJECT.—*Classification of Expenditure*

Sir,

In connection with the preparation of reappropriation orders and Appropriation Accounts, it has been observed that reconciliation is not being exercised to the figures of expenditure booked by the Divisions with those booked in the Pay and Accounts Offices concerned. It should be seen that reconciliation is done in proper time and discrepancies, if any, which come to notice as a result of such reconciliation, are ratified in the Accounts Records. The Divisional Accountant being the head of Accounts Branch of the Division is directed to ensure that all these corrections are duly made in the monthly and

other Accounts Records. Any instance of discrepancy/misclassification, which comes to notice subsequently, would be viewed seriously and responsibility for the same will have to be fixed.

It may, therefore, be ensured that the expenditure figures are properly classified in the monthly Accounts and that the expenditure figures are reconciled with those booked in the Pay and Accounts Offices concerned and the rectification made as necessary under supervision of the Divisional Accountant of your division.

Please acknowledge receipt of this letter.

Yours faithfully,

Sd/- G. C. PANT,

Dy. Controller of Accounts.

Copy forwarded to Shri..... Accounts
Officer, Pay and Accounts Office (Comp. Section)
.....for information and necessary action.

Sd/- G. C. PANT.

Dy. Controller of Accounts.

(COPY)

No 3(2)|77-B(DGW)

Government of India

**DIRECTORATE GENERAL OF WORKS, CENTRAL PUBLIC
WORKS DEPARTMENT**

New Delhi, the 14th April, 1978

MEMORANDUM

SUBJECT.—*Charged allotment of funds for payments in satisfaction of Court Decrees covering Arbitration Awards pertaining to works executed by C.P.W.D.*

Attention is invited to Ministry of Works and Housing letter No. 21011(8)|71-W4, dated 21-11-1972, addressed to this office, with copy to Chief Engineers, laying down procedure for making payment of arbitration awards made a rule of court. While reiterating those instructions vide this office memo. No. 3(12)|77-P(E-in-C) dated

23-7-1977, it was emphasised that the C.P.W.D. officers should approach the concerned Ministry for making the requisite funds available for payment under "Charged" Section of the Grant before actual payment was made.

2. In spite of clear instructions issued on the subject from time to time, cases have come to notice wherein payments have been made by the Departmental officers without any assurance of funds from the Ministry. The Public Accounts Committee has taken a serious view of such excesses in Charged portion of the Grant over the budget allocation. An extract copy of their observation *vide para 2.7* of its 38th Report—Sixth Lok Sabha is enclosed.

3. It is hereby enjoined on all the departmental officers to ensure that no payment in respect of the Arbitration Awards is made unless budget provision, sufficient to cover the award already exists with them or an assurance to incur the expenditure has been received from the concerned Ministry. As soon as the award is received, the Chief Engineer should move the Ministry for making sufficient amount available to cover the award so that payment can be made. This would be necessary if adequate allotment is not already available with the Chief Engineer. The payment should, however, be made only when the assurance of funds is communicated by the Ministry, who would take steps to seek supplementary Grant or get advance from the contingency Fund of India, if necessary funds are otherwise not available with them. As this would mean sometime before the assurance of funds is communicated, the Chief Engineer should move the proposal for allotment of funds immediately after the award is received. It is once again reiterated that these instructions may please be followed strictly in future.

Encl:

As above.

Sd/- V. R. VAISH,

Director General (Works).

To

- 1) All Chief Engineers, Superintending Engineers, Executive Engineers in C.P.W.D.
- 2) All Works, A&C and Budget Sections in C.P.W.D.

Copy of Para 2.7 of 38th Report of Public Accounts Committee (Sixth Lok Sabha) regarding ~~excesses over~~ Voted Grants and Charged Appropriations.

2.7. That ~~excesses~~ over Voted Grants and Charged Appropriations administered by the Ministry of Home Affairs, Ministry of Works and Housing and Ministry of Shipping and Transport, should persist, only serves to reinforce the Committee's oft-repeated observations that adequate and serious attention was not being paid by some Ministries|Departments to the implementation of the Committee's recommendations. It seems that the instructions issued by the Ministries|Departments from ~~time~~ to time in this regard have failed to yield the desired results. The Committee desire that a detailed review of the existing arrangements should be undertaken in consultation with Ministry of Finance to devise suitable and effective measures with a view to remove the inherent defects in the system. The Committee would like to be apprised of the result of the examination and the steps taken in this regard.

(iii) *Ministry of Home Affairs:*

A review of existing arrangements, in the light of these observations of the Public Accounts Committee, has revealed that there is no defect in the system as such but the irregularities occur due to non-observance of provisions in the rules and certain unforeseen developments. In order to ensure that the excesses over Voted Grants and Charged Appropriations administered by the Ministry of Home Affairs do not recur, all the concerned authorities have been suitably instructed *vide* this Ministry's circular Letter No. 7|4|77-Ac.III. dated the 13th April, 1978*. Further consequent on the departmentalisation of accounts in this Ministry from 1-10-1976 and separation of accounts from audit in Delhi Administration from 1-4-1977, it is expected that the existing system would be further strengthened.

This note has been prepared in consultation with Ministry of Finance.

[Ministry of Home Affairs, O.M. No. 7|4|77-Ac.III,
dated the 17th April, 1978.]

*Copy not enclosed.

Recommendation

"The excess expenditure of Rs. 2.11 lakhs under the Group head 'A-2(1)-Counsellor (Agri.) Embassy of India, Rome, under Grant No. 1—Department of Agriculture works out to nearly 84 per cent of the Final Grant of Rs 2.50 lakhs. This is not the first occasion when excess under this Group head has come to the notice of the Committee. An excess of nearly 29 per cent under this Group head was also reflected in the preceding Appropriation Accounts (Civil) 1974-75. The excess has been attributed *inter-alia* to higher medical charges, increased payments of rent of buildings and inflation in Italy, as in the preceding year. The Committee are firmly of the view that the additional expenditure on medical charges and rent could have been foreseen and provided for. The Committee would like to be informed of the reasons as to why taking advantage of the preceding year's experience, the factor of increased expenditure on rent and the inflationary trend following oil crises, was not anticipated at the time of obtaining original as well as supplementary provisions."

[S. No. 9, Appendix XXXVII, para 2.16 of 38th Report of P.A.C. (6th Lok Sabha).]

Action taken

The excess of 2.11 lakhs over and above the budget provision of Rs. 2.50 lakhs was due mainly to expenditure on unanticipated items namely payment of air travel charges (in June, 1975) in connection with the emergency passage to India availed of by the Technical Assistant and his family in January, 1975 in connection with the immersion of ashes of his mother who dies in Rome in December, 1974, payment of heavy amount of Air Travel Bills etc., on account of unforeseen deputation of the Counsellor (Agriculture) to New York, (December, 1974), Khartoum (February, 1975) and Geneva (May, 1975) to attend important meetings as representative of the Government of India, advance to the Counsellor (Agriculture) for payment of custom duty on his car, enhancement of rates of foreign allowance, higher amount of expenditure on medical charges, payment of enhanced rent for the buildings hired for the Counsellor (Agriculture) and the Staff, increase in the rates of hot and cold weather charges, and post and telegraph charges. Also during 1975-76, the Mission's demand in RE-1975-76 could not be provided for in full.

The excess in expenditure could not be anticipated at the time of submitting budget proposals for the year 1975-76, due to the situation prevailing in that country due to almost daily escalation of prices due to all crises and other factors responsible.

However, the Mission have noted the recommendations of the Public Accounts Committee for future guidance.

[Ministry of Agriculture and Irrigation, (Department of Agriculture), O.M. No. 1(16)/77-Budget, dated the 17th May, 1978.]

Recommendation

"The Committee note that the excess under the Voted Expenditure of Deptt. of Revenue and Banking for the year 1975-76 occurred mainly under the heads 'A.1(1)—Investigation' and 'A.2(1) Commissioners and their Offices'. An excess has occurred under the head 'Salaries' for the second year in succession. Against the final grant of Rs. 23.44 crores, in the Appropriation Accounts for the year 1974-75 the excess expenditure disclosed was Rs. 46.34 lakhs. Against the final grant of Rs. 42 crores during the year 1975-76 the actual expenditure booked amounted to Rs. 42.13 crores leaving an uncovered excess of about Rs. 13 lakhs. This excess was caused by an unforeseen increase in expenditure on payment of reward to employees equal to their one month's basic pay granted in recognition of the "success" of the Voluntary Disclosure Scheme, increase in the cost of various stores purchased etc., and the arrears on account of additional instalment of Dearness Allowance. As there was usually no element of uncertainty or unforeseenability in the expenditure on pay and allowances there should normally be no excess on this account. This has repeatedly been reiterated by the Committee in the past.

The Committee (1976-77) had expressed concern over the phenomenon in paragraph 2.48 of the 227th Report (5th Lok Sabha) and had indicated that while some variation between the estimates and actuals was understandable on this account, large variations as had occurred were hardly justified. The Committee hope that the Department of Revenue and Banking which has again witnessed excess expenditure on account of pay and allowances would take adequate care in future to avoid excesses on this account."

[Serial No. 10 Appendix 7.4.4.1 (Para 2.10) of the P.A.C's. 38th Report (6th Lok Sabha).]

Action taken

The Committee's conclusions and recommendations have been brought to the notice of all the Heads of Department under the Central Board of Direct Taxes vide this Department's letter F.No. 5|2|77-IFU (B&A), dated 20-4-1978 (copy enclosed) * with the instructions to ensure that all possible steps are taken to avoid excess expenditure beyond provisions of funds allotted to them by the Ministry.

[Ministry of Finance (Department of Revenue), O.M.
No 5|2|77-IFU(B&A), dated the 14th June, 1978.]

(COPY)

F. No. 5|2|77-IFU(B&A)

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(Department of Revenue)

New Delhi, the 20th April, 1978,

To

All the Heads of Department under
Central Board of Direct Taxes

Sir,

SUBJECT.—38th Report of P.A.C. (1977-78)—Sixth Lok Sabha on excesses over Voted Grants and Charged Appropriation—Demand No. 34—Taxes on Income, etc., for 1975-76.

I am directed to re-produce para 2.19 of the Thirty-eighth Report of the Public Accounts Committee (1977-78)—(Sixth Lok Sabha) regarding excess in expenditure in Grant No. 34—Taxes on Income, etc for 1975-76, in which the Committee have made their conclusions and Recommendations in the matter:

“The Committee note that the excess under the Voted Expenditure of Department of Revenue and Banking for the year 1975-76 occurred mainly under the heads ‘A.1(1)—Investigation’ and ‘A.2(1) Commissioners and their Offices’. An excess has occurred under the head ‘Salaries’ for the second year in succession. Against the final grant of Rs. 33.44 crores in the Appropriation Accounts for the year 1974-75 the excess expenditure disclosed was Rs. 46.34 lakhs. Against

*Reproduced.

the final grant of Rs. 42 crores during the year 1975-76 the actual expenditure booked amounted to Rs. 42.13 crores, leaving an uncovered excess of about Rs. 13 lakhs. This excess was caused by an unforeseen increases in expenditure on payment of reward to employees equal to their one month's basic pay granted in recognition of the 'success' of the Voluntary Disclosure Scheme, increase in the cost of various stores purchased etc., and the arrears on account of additional instalments of Dearness Allowance. As there was usually no element of uncertainty or unforeseenability in the expenditure on pay and allowances there should normally be no excess on this account. This has repeatedly been reiterated by the Committee in the past.

The Committee (1976-77) had expressed concern over the phenomenon in paragraph 2.48 of the 227th Report (5th Lok Sabha) and had indicated that while some variation between the estimates and actuals was understandable on this account large variations as had occurred were hardly justified. The Committee hope that the Department of Revenue and Banking which has again witnessed excess expenditure on account of pay and allowances would take adequate care in future to avoid excesses on this account".

The points mentioned above may please be brought to the notice of all officers dealing with expenditure under your control. You are also requested to ensure that the expenditure does not exceed the funds allotted to your Charge to avoid any possible criticism by the Public Accounts Committee and unnecessary complications involved in regularisation of the excess.

The receipt of this letter may kindly be acknowledged

Yours faithfully,

Sd/- R. LUKHAM

Deputy Financial Adviser.

Copy to the Chief Controller of Accounts (C.B.D.T), 'H' Block, Vikas Bhawan, New Delhi

Sd/- R. LUKHAM

Deputy Financial Adviser.

Recommendation

The excess expenditure of Rs. 15.25 lakhs incurred in the Grant 'Currency, Coinage and Mint' attracts interest on two counts. Bulk of it was caused under the Group head 'A.4(1)-loss on destruction

of withdrawn coins'. The total grant under this Group head was Rs. 85.81 lakhs, whereas the expenditure was Rs. 121.58 lakhs. The excess of Rs. 35.77 lakhs works out to 41.5 per cent. Commenting on the excess that occurred under this head in the year 1974-75, on account of 'purchase of metals', the Committee (1976-77) had observed that it was a matter of great concern since the excesses occurred in a grant administered by the Department of Economic Affairs, entrusted with the responsibility of ensuring better financial discipline. The Committee have now been informed that the Mint Masters General Manager of all the Undertakings have been instructed to make a realistic assessment of their requirements of funds at the budget stage itself and to keep constant vigil on the expenditure incurred from time to time. The Committee are not certain how the instructions issued to Mint Masters will take care of the need for accurate estimation of the difference between the fact value of uncurrent and withdrawn coins received from Banks and Treasuries and the metal value thereof at the prevalent rates. The Committee desire that the Department of Economic Affairs should review their instructions to ensure better estimation in future.

[C. No. 11 (Appendix XXXVII) Para 2.23 of 38th Report of PAC
(6th Lok Sabha)]

Action Taken

To ensure realistic assessment of requirements of funds at the Budget stage itself and to keep constant vigil on the expenditure incurred from time to time, particularly in respect of the grant under head 'A.4(1)-loss on destruction of withdrawn coins', the Reserve Bank of India have been requested to furnish estimated data in regard to the quantum (denomination and metalwise) of the uncurrent coins that they expect to withdraw and remit to the Mints and that such data is made available at the time of preparation of the Budget Estimates. The Mint Masters have been instructed to review the expenditure from month to month and to regulate the issue of out-turn value certificates to the Banks/Treasuries whose remittances are received for examination at the close of the financial year, for examination and disposal till the commencement of next financial year.

This has been seen by Audit.

[Ministry of Finance (Department of Economic Affairs) OM No. F.8
(4) (B)-(R & A)/77 dated the 11th May, 1978]

Recommendations

The Committee note that but for savings under other sub-heads, the excess under the heads A.2 (1)-Ordinary Pensions, A.4-Gratuities and A. 5-Family Pension would have amounted to Rs. 252.87 lakhs, representing 31.14 per cent of the provision sanctioned against these heads. Bulk of the excess occurred under the sub-head, A.4-Gratuities, 'where the final grant was Rs. 476.06 lakhs and the actual expenditure was Rs. 637.76 with an excess of Rs. 161.70 lakhs. There occurred a similar excess of Rs. 24.94 lakhs under Grant '10 Pension and other Retirement Benefits' in the Appropriation Accounts (Civil) for 1972-73. The Committee would urge that recurrence of excess under this head should be avoided by better coordination and liaison between the Ministry of Finance who control this Grant, and the Accounts Officers, who arrange and account for pension payments. The Committee would watch the improvements effected in this behalf through future Appropriation Accounts.

[S. No. 12 Appendix XXXVII para 2.26 of 38th Report of P.A.C. (6th Lok Sabha)]

Action Taken

The Grant 'Pensions' is a composit one which includes provision for payment of pensions, gratuities, etc. for all the Departments (excluding Railway, P & T and Defence Personnel) of the Union Government. Expenditure under this Grant is somewhat of an unpredictable nature, being dependent on finalisation of claims in respect of gratuity and commutation of pensions, etc. by the concerned authorities and presentation of claims by individual pensioners. Even in the case of normal pensions in course of payment, precise estimation is difficult because drawals may not be made regularly and payment points are scattered all over the country. The estimates pertaining to this Grant were, earlier, finalised generally on the basis of information furnished by the various Accountants General. However, consequent on departmentalisation of Accounts, Financial Advisers of Ministries/Departments have been made responsible for furnishing directly to the Ministry of Finance estimates in respect of commuted value of pensions, gratuity, pension contributions etc. and also to furnish monthly statement of progress of expenditure. The role of Accountants General in the estimation of expenditure on pensions is now restricted to pensions in course of payment. It is hoped that this arrangement will result in better co-ordination and liaison between the estimating authorities and the Ministry of Finance in respect of this Grant.

[Ministry of Finance (Department of Expenditure O.M. No. F8(4), (B)-(R&A)/77 dated the 11th May, 1979].

Recommendation

The Committee note that of the excess of Rs. 1,12,90,534 under the Grant No. 39-Opium and Alkaloid Factories, a sum of Rs. 81,57,459 is the result of double adjustment of expenditure on certain purchases of opium for the factory at Neemuch and the Accountant General in whose books it was erroneously adjusted and he could not rectify it before the close of the accounts for 1975-76. The Committee had in the past repeatedly expressed concern about the significant misclassifications and erroneous adjustments in accounts that occurred in certain Grants and had hoped that the reconciliation of expenditure booked in accounts with the departmental figures would be done promptly in future. The Committee are of the view that double adjustment of expenditure is a serious error in the proper upkeep and maintenance of books of accounts and could and should have been detected if adequate attention had been paid to prompt reconciliation of departmental figures with the accounts figures. As misclassifications and erroneous adjustments vitiate budgetary Central, the Committee desire that procedures should be tightened up and responsibility, particularly at the Supervisory level should be fixed, for appropriate action whenever such lapses come to notice.

[S. No. 13-Para 2.29 of 38th Report of the PAC (6th Lok Sabha).]

Action Taken

The Committee's recommendations have been brought to the notice of the Chief Controller of Factories who have issued necessary instructions to the concerned supervisory officials to strictly follow the procedure of monthly reconciliation of departmental figures with the Accounts figures and prompt rectification of differences vide his letter F. No. VI/3/3/Audit/77 dated the 22nd April, 1978 (Copy enclosed). In this connection it may be stated that with the departmentalisation of accounts with effect from 1-10-1976 and the posting of Pay and Accounts Officer's Unit at each factory, the reconciliation of departmental figures with the Pay and Accounts Officer's figures is carried out every month so that Misclassification/wrong booking, if any, could be rectified.

[Ministry of Finance (Department of Revenue) O.M. No. 5(3)/78-IFU (B&A) dated the 26th June, 1978.]

Recommendation

The Committee find that the remaining excess of Rs. 31.42 lakhs is mainly due to delayed adjustments of debits on account of

customs duty on Codeine Phosphate imported. This is not the first occasion when an instance of this nature has come to the Committee's notice. During the year 1972-73, an excess of Rs. 1.90 lakhs had occurred under the Grant due to belated adjustments of past liabilities of Rs. 11.90 lakhs on account of duty levied on the import of Codeine Phosphate. In the opinion of the Committee recurrence of such excesses could well have been avoided by a closer watch and control over recurring liabilities of this nature.

[S. No. 14-Para 2.30 of 38th Report of the P.A.C. (6th Lok Sabha)]

Action Taken

The Committee's observations have been brought to the notice of the Supervisory staff concerned with the instructions to work out the requirements of funds in a more precise manner while preparing the budget so as to avoid excess expenditure due to adjustment of un-anticipated debits (Vide Para 3 of enclosed copy of Chief Controller of Factories' letter dated 22-4-1978).

Approved by Financial Adviser.

[Ministry of Finance (Department of Revenue) O.M. No. 5(3)/78-
I.F.U. (B&A) dated the 26th June, 1978.]

(COPY)

F. No. VI|3|3|Audit|77

GOVERNMENT OF INDIA

Office of the Chief Controller Government Opium and
Alkaloid Factories Saraswati House, 27, Nehru
Place, New Delhi-110019.

Dated the 22nd April, 1978.

To

The General Manager,
Government Opium and Alkaloid
Works Undertaking,
Ghaziipur (U. P.)

Sub: 38th Report of the P.A.C. (77-78) (Sixth Lok Sabha)
on excess over voted grants-Demand No. 39-Opium
and Alkaloid Factories 1975-76.

Please refer to this office letter F. No. VI|3|3|Audit|77-2449 dated the 15th April, 1978 forwarding a copy of IFU's letter F. No. 5(3)/78-IFU (B&A) dated the 14th April, 1978 on the above subject.

2. As you will observe from the above letter, the Public Accounts Committee have noted with serious concern the excess occurring over the voted grants for your Undertaking for the year 1975-76. Of these excess, Rs. 81.57 lakhs represented the cost of opium purchased in Pratapgarh Division of Rajasthan which was normally debited to Neemuch Factory where it is processed. A. G. Rajasthan, by mistake raised a debit for this amount against Ghazipur Factory in the U. P. Circle. He had, however, withdrawn this debit in the exchange Account for 2/76 and 3/76 (Final) and advised A.G.U.P. accordingly but A.G.U.P. had not carried out the adjustments in his books resulting in the excess. P.A.C. had felt that if prompt reconciliation of departmental figures had been made with the Accounts figures, this misclassification could have been detected and rectified in time. They had therefore recommended 'tightening up of the procedure and also fixing up responsibility at supervisory level for taking appropriate action whenever such lapses occur. I would like to impress upon you that it is your primary responsibility to periodically reconcile your figures with Accounts figures and to get the misclassified items rectified promptly. As you are aware, for the purpose of Proforma Accounts, the details of cost of Rajasthan Opium transferred to Ghazipur Factory are obtained from Deputy Narcotics Commissioner, Kota who is accounting for these initially. Had timely action been taken by your staff to get such details and reconcile the same with the figures booked by the A.G.U.P. the wrong adjustment of Rs. 81.57 lakhs could have come to their notice. The failure to do so is not understandable. You are, therefore, directed to devise a suitable system of monthly reconciliation of your figures, (which should be obtained from the basic sources) with Accounts Figures. With the departmentalisation of Accounts and the setting up of a pay and Accounts Officer's Unit at Factory premises, month to month reconciliation should be done and any erroneous adjustment or misclassification should be corrected promptly. You are also required to make an officer at the supervisory level responsible for strict adherence to the above procedure for re-conciliation and also for periodical reporting to the Management on the same.

3. The excess of Rs. 31.42 lakhs due to belated adjustment of customs duty liability on imported Codeine Phosphate has also been adversely commented upon for lack of proper budgeting. You are therefore, directed that when annual budgets are prepared, the requirements of funds should be assessed more realistically by correctly anticipating the expenditure on various items. You should also ensure that when the expenditure is incurred, it is adjusted in

the particular year itself. ~~Necessary~~ Liability register and other returns prescribed in the G.F. Rs. etc. should be maintained for making timely adjustments.

4. Please acknowledge receipt of this letter and indicate the action taken by you on these matters.

Sd/- (ANAND P. AGARWAL)

Chief Controller of Factories.

Copy to the General Manager, Government Opium and Alkaloid Works Undertaking, Neemuch. He is also directed to take similar steps as far as his Undertaking is concerned.

Sd/- (ANAND P. AGARWAL)

Chief Controller of Factories.

Copy to the Deputy Financial Adviser, Ministry of Finance, Department of Revenue, Integrated Finance Unit, Government of India, New Delhi.

Sd/- (ANAND P. AGARWAL)

Chief Controller of Factories.

Recommendation

The Committee find that the overall excess under the Appropriation "Interest Payment" after setting off savings comes to Rs. 734 crores. It is significant that but for the savings, the real excess would have been much more. The Committee are not satisfied with the explanation furnished by the Department that adjustment in accounts could not be effected before the close of the financial year, for according to the Department itself, prompt reconciliation of departmental figures with the figures booked in accounts could have been done avoiding the excess. The Committee can only hope that excesses of this nature will not recur in view of the departmentalisation of Accounts. They would like to watch improvements in this behalf through successive Appropriation Accounts.

[S. No. 15 Appendix XXXVII Para 2.36 of 38th Report of P.A.C. (6th Lok Sabha).]

Action Taken

The Committee's observations have been noted.

The excess in 1975-76 occurred due to belated adjustments made by the Accountant General Central Revenues after the close of the financial year when it was not possible to provide funds to cover these adjustments. However, excesses of this nature are unlikely to occur consequent on Departmentalisation of Accounts with effect from 1-10-1976.

[Ministry of Finance (Department of Expenditure) 6 M. No. F 8(4)
(B)-(R & A)|77 dated the 11th May, 1978]

Recommendation

Even though the excess expenditure of Rs. 163.85 lakhs under Grant No. 41-other Expenditure again administered by the Budget Division of the Ministry of Finance resulting from erroneous adjustment in accounts, does not require regularisation, in terms of paragraph 7 of the 16th Report of the Public Accounts Committee (First Lok Sabha), the Committee are concerned to note that timely reconciliation of accounts was not done as a result of which the erroneous adjustment came to notice only after the close of the accounts for 1975-76, when it could not be rectified. The Committee would like the Ministry of Finance to examine the lapse with a view to seeing that such lapses do not recur in future.

[S.No. 16 Appendix XXXVII Para 2.39 of 38th Report of the P.A.C.
(6th Lok Sabha)]

Action Taken

The matter has been taken up with the accounting authorities for timely reconciliation in future to facilitate remedial action.

[Ministry of Finance (Department of Expenditure) 6 M. No. F 8(4)
(B)-(R & A)|77 dated the 11th May, 1978]

Recommendation

The Committee note that an excess expenditure of Rs. 6.20 crores was incurred during 1975-76 under various sub-heads in the Capital Section of 'Grant No. 44-Medical and Public Health' against the original Grant of Rs. 32.04 crores, which works out to nearly 19 per cent of the original provision. But for savings under other sub-heads in the Grant, the excess expenditure would have been as high as Rs. 8.30 crores i.e., nearly 25 per cent of the original provision. The Committee find that out of an excess of Rs. 385.32 lakhs

under head AA. 1(1)(8)-Purchase of materials in India and Abroad a sum of Rs. 235.51 lakhs. was due to the belated adjustment of debits for stores received by the Medical Stores Depots in 1974-75. Again the Excess of Rs. 101.58 lakhs under head BB. 1(1)(1)-National Malaria Eradication Programme (Rural) was due to belated adjustment in the accounts for 1975-76 of debits raised in 1970-71, 1973-74 and 1974-75 in respect of procurements through DGS&D. It is not clear to the Committee why the liabilities on account of stores procured in 1970-71, 1973-74 and 1974-75 could not be anticipated earlier, at least at the stage of the Revised Estimates. The Committee find that their earlier recommendation made in paragraph 2.19 of their 134 Report (Fifth Lok Sabha) for better coordination with the Suppliers Organisations and the Accounts Officers have failed to produce the desired effect. The Committee desire that the recurrent lapses on this account may be seriously looked into, with a view to fixing responsibility at the supervisory level and in order to avoid recurrence of such excesses in future. They would like to have a report in this behalf.

[S. No. 17 Appendix XXXVII (para 2.43) of the 38th Report of the PAC (Sixth Lok Sabha)].

Action taken

It is regretted that the reasons for the excess of Rs. 101.58 lakhs under head BB. 1(1)(1)-N.M.E.P. (Rural) as previously communicated to the P.A.C. namely, due to belated adjustment in the account for 1975-76 of debits raised in 1970-71, 1973-74 and 1974-75 in respect of procurements through DGS&D, was insufficient. In para 4.26 of the 45th Report (3rd Lok Sabha) of the P.A.C. the following observations have been made:—

“4.26. In the opinion of the Committee, in this and other rare cases, where payments against funds specially voted upon by the Parliament have actually been made but the budget provision for that year appears in the accounts as unutilised merely as a result of an accounting omission, it would be reasonable to treat the provision as actually utilised in that year. They therefore, recommend that the rectification of the omission in the subsequent year, if it causes an excess in that year, need not be considered as requiring fresh vote of Parliament on the analogy of the provisions in para 7 of the sixteenth Report of P.A.C. (First Lok Sabha), according to which the amount of actual dues to be regulated under Article 115 of the Constitution, is to be worked out after taking into account

Misclassification in accounts which may have come to notice after the closing of the annual accounts."

2. The Ministry of Finance in their O.M. No. F.(3)-B/66 dated 17-9-66, accepting the recommendation of the PAC indicated that the recommendation was intended to apply to only rare cases where payments against funds specifically voted by Parliament had been made and there has been an actual outgo from the cash balance of the Government during the year in which the funds are provided but the budget provision for that year appeared in the accounts as unutilised merely as a result of an accounting omission.

3. It is submitted that in the circumstances explained above, provision for making adjustments for the past year in the budget for 1975-76 was made. However such excess expenditure due to belated adjustment of old debts is not likely to recur in future as adjustments have been centralised at one station with effect from 1-10-76 and wherever necessary adequate provision shall be made in the budget. The Director, NMEP has been made responsible to keep close liaison with all the Pay and Accounts Officers and DGS&D to ensure that all liabilities and debts are provided and accounted for.

4. So far as the present case is concerned, the concerned officials are being warned to be more careful in future in the matter of maintenance of all relevant records and making necessary adjustments.

5. In so far as excess under purchase of materials by the Medical Stores Organisation is concerned provision for meeting the anticipated receipt of debit was made in the Revised Estimates for 1975-76. However the pressing demands of numerous indentors who were relying upon M.S.D. for their supply of life-saving drugs and other medical supplies had to be met, *inter-alia*, in drought/flood affected areas of the country; for this purpose additional stores had to be procured and supplied, and this resulted in some un-avoidable excess. Since the cost of medical stores supplied to indentors is recovered from them in actual fact it means no net outgo of expenditure.

6. The Deputy Director General in charge of Medical Stores Organisation has now been wholly and solely made responsible for ensuring that in future the expenditure is kept within the final grant. This decision, as well as the departmentalisation of accounts, is expected to ensure that the actual expenditure is kept within

final appropriation and such substantial excesses in the grant do not recur in future.

[Ministry of Health and Family Welfare (Department of Health)
O.M. No. G-25015/8/77-B, dated the 13th November, 1978.]

Recommendation

The Committee note that the excess expenditure of Rs. 5.84 lakhs occurred under sub-heads 'A. 1-Central Reserve Police, A. 2 (1)-Directorate General of Border Security Force, A. 4-Assam Rifles and A. 8(2)-Charges paid to other Government Departments' etc. Excess expenditure is *inter alia* attributed to revision of pay scales of Officers, payment of additional dearness allowances etc. The Public Accounts Committee (1976-77) had in paragraph 2.48 of their 227th Report (Fifth Lok Sabha) expressed concern over considerable excess expenditure incurred under various grants on account of increased disbursement of pay and allowances, in pursuance of the Government decision on the recommendations of the Third Pay Commission and had hoped that all Ministries/Departments would take adequate care in future to avoid excesses on this account. The Committee would reiterate its earlier observation contained in paragraph 2.73 of their 31st Report (Fourth Lok Sabha) that 'as there was usually no element of uncertainty or unforeseeability in the expenditure on pay and allowance, there should normally be no excess on this account'. The Committee would like the Ministry to take effective measures to curb for good, this growing tendency of excess expenditure under the head 'Salaries'.

[S. No. 18 Appendix XXXVII Para 2.46 of 38th Report of PAC
(6th Lok Sabha).]

Action Taken

The observations of the Public Accounts Committee have been noted for compliance. In order to ensure that the excess expenditure under the head 'Salaries' is not incurred in future, all the concerned authorities have been instructed to be more vigilant in this regard. A copy of this Ministry's Circular No. 34/1/77-AC. I, dated the 2nd February, 1978 issued to all concerned authorities is enclosed.

[Ministry of Home Affairs O.M. No. 34/1/77-AC. I, dated the 4th/
6th February, 1978.]

(COPY)

No. 34/1/77-AC. I

Government of India/Bharat Sarkar

Ministry of Home Affairs/Grih Mantralaya

T.

1. The Director,
Intelligence Bureau,
New Delhi.
2. The Registrar General of India,
New Delhi.
3. The Director General,
Central Reserve Police Force,
New Delhi.
4. The Director General,
Border Security Force,
New Delhi.
5. The Directorate of Coordination (Police Wireless),
New Delhi.
6. The Directorate of Coordination,
(Police Computer),
New Delhi.
7. The Director,
National Fire Service College,
Nagpur.
8. The Director,
National Civil Defence College,
Nagpur.
9. The Director,
National Police Academy,
Hyderabad.
10. The Inspector General,
Indo-Tibetan Border Police,
New Delhi.
11. The Commandant,
Mobile Civil Emergency Force,
New Delhi.

12. The Inspector General,
Central Industrial Security Force,
New Delhi.
13. The Joint Secretary, Zonal Councils,
New Delhi.
14. The Commissioner for Linguistic Minorities,
Allahabad.
15. The Director,
Central Translation Bureau,
New Delhi.
16. The Director,
Institute of Criminology and Forensic Science,
New Delhi.
17. The Director,
Bureau of Police Reserach and Development,
New Delhi.
18. The Director General,
Civil Defence,
New Delhi.
19. The Director,
Central Bureau of Investigation,
New Delhi.
20. The Inspector General,
Assam Rifles,
Shillong.
21. The Secretary,
North Eastern Council Sectt.,
Shillong.
22. The Secretary, Department of Official Language,
New Delhi.
23. The Secretary,
Department of Personnel and Administrative Reforms,
New Delhi.
24. The Secretary,
Committee of Parliament on Official Languages,
New Delhi.
25. The Chief Controller of Accounts,
Ministry of Home Affairs,
New Delhi.
26. The Controller of Accounts,
Department of Personnel and Administrative Reforms,
New Delhi.

27. The Commissioner for Scheduled Castes and Scheduled Tribes,
New Delhi.

28. The Director General, Backward Classes Welfare,
New Delhi.

New Delhi-110001, the 20 February, 1978, 13 Magha, 1899.

Sub:—Excess expenditure under the head 'Salaries'—steps to be taken to curb for good, the growing tendency of excess expenditure under the head 'Salaries'.

Sir,

I am directed to say that the Public Accounts Committee has in para 2.46 of their 38th Report (Sixth Lok Sabha) observed as follows:—

“The Committee note that the excess expenditure of Rs. 5.84 lakhs occurred under sub-heads 'A-1-Central Reserve Police, A. 2(1)-Directorate General of Border Security Force, A. 4-Assam Rifles and A. 8(2)-Charges paid to other Government—Departments' etc. Excess expenditure is *inter alia* attributed to revision of pay scales of officers, payment of additional dearness allowances etc. The Public Accounts Committee (1976-77) had in paragraph 2.48 of their 227th Report (Fifth Lok Sabha) expressed concern over considerable excess expenditure incurred under various grants on account of increased disbursement of pay and allowances, in pursuance of the Government decision on the recommendations of the Third Pay Commission and had hoped that all Ministries/Departments would take adequate care in future to avoid excesses on this account. The Committee would reiterate its earlier observation contained in paragraph 2.73 of their 31st Report (Fourth Lok Sabha), that 'as there was usually no element of uncertainty or unforeseeability in the expenditure on pay and allowances, there should normally be no excess on this account'. The Committee would like the Ministry to take effective measures to curb for good, this growing tendency of excess expenditure under the head 'Salaries'.”

2. It is enjoined upon all concerned authorities to note the above observations of the Public Accounts Committee. It should be ensure that the expenditure under the head 'Salaries' should, on no

account, be allowed to exceed the sanctioned budget grant. All Subordinate formations may suitably be instructed to avoid recurrence of the tendency of incurring excess expenditure under the head 'Salaries'. Wherever the anticipated expenditure exceeds the sanctioned budget grant, it should be ensured that the excess expenditure is covered by valid reappropriation. A serious view will be taken if the above instructions are violated in future and responsibility will be fixed on the Controlling Officers concerned for any lapse on their part.

3. The receipt of this communication may please be acknowledged.

Yours faithfully,
Sd/- K. B. LALL

Assistant Financial Adviser

No. 34/1/77-Ac.I

Dated the 2 February, 1978

13 Magha, 1899

1. Copy forwarded to JS (A), Ministry of Home Affairs, New Delhi.
2. Copy forwarded to Director (Administration), Department of Personnel and Administrative Reforms, New Delhi.

Sd/- K. B. LALL

Assistant Financial Adviser

No. 34/1/77-Ac.I

Dated the 2 February, 1978

13 Magha, 1899

Copy for information and necessary action to Cash-II Section, Ministry of Home Affairs, New Delhi.

Sd/- K. B. LALL

Assistant Financial Adviser

T. No. 372728

GOVERNMENT OF INDIA

MINISTRY OF HOME AFFAIRS

Action taken on the recommendation of the Public Accounts Committee (1977-78)

Recommendation

The Committee note that excess expenditure under sub-head A. 12(3) and A. 14(3) 'Maintenance and Repairs' (Grants No. 54 and 52 respectively) administered by Andaman and Nicobar Ad-

Administration and Delhi Administration respectively, and C. 3(5)-Plant Protection under Grant No. 57 administered by Lakshadweep Administration has *inter alia* been attributed to rise in the cost of materials and enhancement in Labour costs. The Committee would like to know why the effect of the rise in the cost of materials could not be anticipated at least at the time of preparation of revised estimates and adequate funds provided for in the Supplementary Budgets. The Delhi Administration incurred additional liabilities on outlay on urban development for the capital works exceeding the final provision by Rs. 710.33 lakhs. The Committee desire that in future it will be ensured that additional liabilities are incurred only when adequate provision exists. The Committee also trust that in future, the revised estimates will be prepared with greater care by the respective Administrations so that the excess, if any, over voted grants is minimised, if not, altogether avoided.

[S. No. 19, Appendix XXXVII, para 2.50 of 38th Report of P.A.C. (Sixth Lok Sabha)]

Action Taken

Grant No. 54—A&N Islands—A. 12(3)-Maintenance and Repairs:

The impact of rise in the cost of Labour and materials was anticipated by the Andaman and Nicobar Islands Administration at the time of preparation of revised estimates and additional funds proposed were provided by the Ministry of Works and Housing. But the anticipations made fell short of actual requirements. Further investigations into the matter have also revealed that the estimates for annual maintenance of various buildings are based on a percentage of the capital cost of the buildings which was fixed by the Ministry of Works and Housing in 1969. The matter regarding revision of percentage for maintenance fixed by the Ministry of Works and Housing in 1969 is being examined by that Ministry.

Grant No. 52-Delhi A. 14(3)-Maintenance and Repairs:

As has been intimated to the Committee while sending a Note for regularisation of excess under the above grant, the excess under this sub-head occurred mainly due to more expenditure on maintenance and repairs of Hospitals, School Buildings, Institutions like I.T.Is, Women Polytechnic, Arts College, Police Posts, Court Buildings, Electrical Installations like lifts, pumps, air-conditioning plants in hospitals and stand-by generators etc. Instructions have also been issued to the Delhi Administration that in all such cases they should not incur expenditure beyond sanctioned budget in future.

As regards incurring of additional liability of Rs. 710.33 lakhs on Urban Development for Capital works by the Delhi Administration, the recommendations of the Committee have been brought to the notice of the Delhi Administration. The Delhi Administration have, *vide* their letter No. F.8/2/EE-Fin. (B) dated 3rd February, 1978 (copy enclosed), issued necessary instructions to the concerned Head of Departments in this regard.

Grant No. 57-Lakshadweep, C. 3(5)-Plant Protection:

The effect of the rise in the cost of materials was anticipated by the Lakshadweep Administration at the time of framing revised estimates but after considering the trend of actuals for first five months of the financial year, the proposed provision could not be agreed to. Though the Administration made its best efforts to keep the expenditure within the budget provision, the excess expenditure could not be avoided.

2. Pursuant to the Committee's recommendation regarding preparation of revised estimates with greater care by the U.T. Administration, necessary instructions have been issued to all Union Territory (without legislature) Administrations *vide* this Ministry's letter Nos. U. 15030/5/77-Ac. II dated 8th December, 1977 and 20th April, 1978 (Copy enclosed).

[Ministry of Home Affairs O.M. U. 15030/5/77-Ac. II dated the 24th April, 1978.]

COPY

Immediate/Out-today

SHAILAJA CHANDRA
SECRETARY (FINANCE)

D.O. NO. F. 8/2/77-Finance (B)
DELHI ADMINISTRATION: DELHI

Dated the 3rd February, 1978.

Dear Shri—————,

1. No. U. 15030/5/77-Ac.II dated the 8th December, 1977.
2. D.O. No. U-15030/5/77-Ac.II dated the 5th December, 1977 from Director Finance (DOP) and addressed to F.S.

I enclose a copy each of the marginally noted communications received from the Government of India, Ministry of Home Affairs regarding excess over voted grant/charged appropriation regularisation thereof.

1. D.O. No. 8/2/75-Fin.(B) dated the 10th June, 1975 from Shri L. R. K. Prasad, Finance Secretary.

2. D.O. No. F. 8/2/77-Finance (B) dated the 19th September, 1977 from Under Secretary Finance (Budget).

In the connection you may kindly also refer to this Administration communication voided in the margin. Incurring of an expenditure over & above the voted grant is in contravention of the provisions of G.F.R. 71 and the Administrative Departments should not work on the assumption that the funds asked for by them through the Revised Estimates for the year would be provided. You would appreciate that the cases of excess of expenditure over the sanctioned grant are viewed seriously by the Public Accounts Committee and the Administration placed in a very embarrassing position.

3. I should therefore be grateful if you would kindly arrange to issue necessary instruction to the concerned Heads of Offices/ D.D.Os of your Department to ensure that the expenditure is incurred within the funds allocated. It may also be made clear to the officers concerned in your department that any lapse of financial discipline on their part is going to be viewed seriously by this Administration in future.

Yours sincerely,

All Heads of Department.

Sd/-

SHAILAJA CHANDRA

Copy of letter No. U-15030/5/77-Ac II dated the 8th December, 1977 from Shri B. M. Singh, Under Secretary to the Government of India, Ministry of Home Affairs, New Delhi to:

1. The Finance Secretary, Delhi Administration, Delhi.
2. The Finance Secretary, Chandigarh Administration, Chandigarh.
3. The Finance Secretary, A&N Islands Administration, Port Blair.
4. The Collector, Dadra and Nagar Haveli Administration, Silvassa.
5. The Administrator, Lakshadweep Administration, Kavaratti.

SUBJECT:—Excess over voted grants/charged Appropriation Regularisation thereof.

I am directed to refer to this Ministry's letter No. U-15023/1/74-Ac II(Pt.) dated 25-4-1975 on the subject mentioned above and to say that while commenting on the excesses over voted grants/charged Appropriation as disclosed in the Appropriation Accounts for the year 1975-76 the Public Accounts Committee have expressed their dissatisfaction on the framing of Budget and Revised Estimates by the Estimating Authorities of the Union Territories (without legislature) Administration.

2. An analysis of the reasons for the excess over Voted Grants/Charged Appropriations in the Area Demands of the Union Territories for the year 1975-76 indicates that the excesses have mainly occurred due to more expenditure on maintenance and repairs, failure to anticipate properly and provide for the receipt of stores and debits relating thereto, absence of adequate provision for (i) the adjustment of past liabilities, (ii) revision of pay scales and enhancement of dearness allowance and other allowances (iii) rise in the cost of materials and enhancement in labour cost, etc.

3. Since control over governmental expenditure call for strict financial discipline, the excesses can be minimized to a great extent if remedial measures are taken by the Union Territories Admns. Maintenance of liability registers in accordance with the instructions contained in the G.F.Rs. close liaison and coordination with the suppliers, proper and timely review of expenditure, anticipation of the impact of rises in the cost of materials and labour and accurate forecast of the expenditure involved on the maintenance and developmental work during the financial year will facilitate in framing the Budget and Revised Estimates on a scientific basis and help in keeping the actual expenditure as close as possible to the funds authorised by the Parliament. There should be an in-built system in the various departments of the U.T's Administration which could serve as a self regulatory apparatus to analyse the reasons for the excesses as soon as they occur and take timely remedial measures.

(Copy)

MOST IMMEDIATE

No. U. 15030/5/77-AC. II
GOVERNMENT OF INDIA
MINISTRY OF HOME AFFAIRS

NEW DELHI-110001, the 20th April, 1978.

1. The Finance Secretary,
 Delhi Administration, Delhi

2. The Finance Secretary,
Chandigarh Administration, Chandigarh
3. The Finance Secretary,
A&N Islands Administration, Port Blair
4. The Collector,
Dadra & Nagar Haveli Administration, Silvassa
5. The Administrator,
Lakshadweep Administration, Kavaratti.

SUBJECT: Excess over voted Grants and Charged Appropriations—Remedial measures.

Sir,

I am directed to refer to this Ministry's letter of even number dated 8-12-77 on the above subject and to say that the Public Accounts Committee have in para 2.50 of their 38th Report (6th Lok Sabha) observed as follows:—

“The Committee note that excess expenditure under sub-head A.12(3) and A.14(3) ‘Maintenance & Repairs’ (Grants Nos. 54 and 52 respectively) administered by Andaman and Nicobar Islands Administration and Delhi Administration respectively, and C.3(5)-Plant Protection under Grant No. 57 administered by Lakshadweep Administration has *inter-alia* been attributed to rise in the cost of materials and enhancement in labour costs. The Committee would like to know why the effect of the rise in the cost of materials could not be anticipated at least at the time of preparation of revised estimates and adequate funds provided for in the Supplementary Budgets. The Delhi Administration incurred additional liabilities on outlay on urban development for the capital works exceeding the final provision by Rs. 710.33 lakhs. The Committee desire that in future it will be ensured that additional liabilities are incurred only when adequate provision exists. The Committee also trust that in future, the revised estimates will be prepared with greater care by the respective Administrations so that the excess, if any, over voted grants is minimised if not altogether avoided”.

I am, therefore, to request that the Revised Estimates should be prepared with greater care so that excess expenditure over budget provision is avoided. It may be ensured that the Revised Estimates which should be prepared on realistic basis, bearing in mind the constraint on resources, economy instructions etc. are sent to the

Administrative Ministries/Departments within the prescribed dates and are invariably supported by adequate details. Where appreciable additional provisions are necessary, the proposals should be sent to them as and when they arise, so that the decision regarding their inclusion in the revised estimates can be taken after proper examination. It is, however, emphasised that whatever might have been the demand, instances of the actual expenditure exceeding the provision in the sanctioned revised estimates should be scrupulously avoided. All concerned authorities should also be informed that they will be held personally responsible for incurring any expenditure over and above the sanctioned budget.

Yours faithfully.

Sd/-

(A. K. Sen)

Director Finance.

Recommendation

The Committee note that during the year 1975-76, but for savings under other sub-heads, the excess would have been over Rs. 6 crores under the Capital Section of Grant No. 96—Nuclear Power Schemes. The uncovered excess was brought down to Rs. 29.34 lakhs. which highlights the extent to which the estimates have been over-pitched in respect of certain items of expenditure. That adequate attention is not being paid to careful and realistic framing of estimates of expenditure is evident from the repeated instances of the wide gap between the Budget Estimates and actual expenditure. The Committee would like to impress upon the Department of Atomic Energy the need to exercise greater caution and realism in framing their estimates in future.

[S. No. 21 Appendix XXXVII Para 2.58 of 38th Report of
PAC (6th Lok Sabha)]

Action Taken

Necessary instructions have since been issued to the project authorities to exercise stricter control over the assessment of requirement of funds for the various works and for the procurement of equipment so that the Budget Estimates are framed on more realistic basis in future. They are also being directed to undertake a continuous review of the procurement schedule of equipment and stores to make a realistic assessment of the probability of the suppliers supplying the material on the dates indicated by them in the delivery schedule on the basis of their past performance. In this connection a copy of D.O. No. 1/4(4)/78-Budget dated 7-6-1978 addressed to the Heads of Constituent Units of this Department is

enclosed for information. The progress of individual works would also be reviewed at periodical intervals to assess fund requirement for various works. It is expected that such a continuous review over the progress of expenditure on equipment, stores and works would facilitate a realistic assessment of the fund requirement and also help in keeping a closer watch on the utilisation of funds. The Budget Proposals for the year 1979-80 which would be received from the Units in a few months time would be subjected to a rigorous scrutiny to ensure that the Budget Estimates are prepared on a more or less realistic basis.

The note has been seen by Audit.

[Department of Atomic Energy O.M. No. 2/3 (1977-Budget dated the 21st June, 1978]

Copy of D.O. No. 1/4(4)/78-Budget dated June 7, 1978 from Shri H. N. Sethna, Secretary, DAE addressed to the Heads of Units of the Department.

I had occasion to issue instructions on the need for adequate care in the framing of budget estimates by the constituent units of this Department at the stage of Original Estimates, Revised Estimates and the determination of final grants. Despite this, it is noticed that wide gaps still remain between the voted grants and the final utilisation. This has been adversely commented upon by the Public Accounts Committee of Parliament.

2. The Public Accounts Committee in its 38th report on the excesses over voted grants for the year 1975-76 has observed that a gross excess of Rs. 6 crores had taken place under capital section of Grant No. 96—Nuclear Power Schemes. This uncovered excess was brought down to Rs. 29.34 lakhs because there were some other estimates which had been provided in excess of the requirements. The Public Accounts Committee has observed that there are cases of estimates which have been over-pitched in respect of certain items of expenditure and that adequate attention is not being paid to a careful and realistic framing of estimates of expenditure as is evident from the repeated instance of wide gap between the budget estimates and actual expenditure. The Committee has further desired this Department to impress upon all concerned the need to exercise greater caution and realism in framing their estimates. These observations of the committee are being brought to your personal notice.

3. Even in the year 1976-77, there was a total saving of funds to the extent of Rs. 30 crores from the voted grants. Out of that, a surrender of Rs. 26.50 crores was made in March, 1977, i.e. at the

time of final grants and there was a further saving as seen from the actual expenditure. In the current year (1977-78) also, against the total grants of Rs. 258.64 crores a surrender of about Rs. 44 crores had to be made in March, 1978.

4. I shall be grateful if you will exercise stricter control over the assessment of requirement of funds for the various works and for the procurement of equipment and arrange to have the Budget Estimates framed on a more realistic basis in future, so as to avoid such large surrender of funds which would attract adverse comments from Parliament. A continuous review of the procurement schedule of equipment and stores should be carried out to make a realistic assessment of the probability of their supply on the indicated dates on the basis of the past experience in this regard. The progress of individual works should also be reviewed at periodic intervals to assess the fund requirements. Such a continuous review over the progress of expenditure on equipment, stores and works would, undoubtedly, facilitate a closer watch on the utilisation of funds and assist in the proper estimation of funds on a more reasonable basis. Since the exercise for preparation of revised estimates for 1978-79 will be commencing shortly, the above instructions are of imminent applicability and should be borne in mind at the time of preparation of revised estimates and any funds not required out of the budget estimates should be surrendered at that stage.

5. Please acknowledge receipt.

Recommendation

They would also like to have a report on the outcome of the claims for refund of excess duty paid which are reported to have been lodged with the Customs authorities.

[S. No. 22 Appendix XXXVII para 2.59 of 38th Report of PAC
(6th Lok Sabha)].

Action Taken

The excess expenditure on customs duty was not the result of payment of customs duty in excess of the rates applicable for import of equipment for the projects concerned. While framing the Budget Estimates it was felt that all imports for power projects would be subject to customs duty at concessional rates and accordingly provision in the Budget Estimates was made on that assumption. When the material was actually imported, the Customs Authorities did not allow the concession of preferential rate of duty which was expected to be applicable to the import for power projects but charged duty at the normal rates. In order to avoid payment of demurrage charges and additional wharfage charges, the material was cleared from Customs after payment of duty at the normal rates charged by the Customs Authorities. It was decided

that the question of admissibility of preferential rate of duty could be taken up later with the customs authorities. The matter regarding refund of extra customs duty charged was subsequently taken up with the Customs authorities who have since clarified that many of these imports are not eligible for assessment of customs duty at the concessional rate, as the primary consideration in this regard is to ensure that the equipment/materials imported go directly into the making up of the plant. In view of this, no refund of customs duty is due to the Department. c

The note has been seen by Audit.

[Department of Atomic Energy O.M. No. 2/3(1)77-Budget dated the 21st June, 1978].

Recommendation

Subject to the above observations contained in the preceding paragraphs of this Report, the Committee recommend that the excess expenditure referred to in paragraph 2.1 of the Report be regularised in the manner prescribed in Article 115 of the Constitution of India.

[S. No. 29 Appendix XXXVII Para 2.75 of 38th Report of P.A.C. (6th Lok Sabha)]

Action Taken

The Demands for Excess Grants (Excluding Railways) for the year 1975-76 were passed by the Lok Sabha on 21-3-1978 and by the Rajya Sabha on 22-3-1978. The connected Appropriation Bill was assented to by the President on 29-3-1978.

[Ministry of Finance (Department of Expenditure) No. F8(4)-B (R&A)/77 dated the 11th May, 1978].

MINISTRY OF FINANCE

DEPARTMENT OF EXPENDITURE

Action taken on the recommendations of the Public Accounts Committee (1977-78) in their 38th Report (Sixth Lok Sabha)

Recommendation

The Committee find that while 25 Action Taken Notes were received by the due date i.e., 28 February 1977, five notes were received upto 3 months after the due date. There was delay of the order of about a month in three cases. Two Notes were received in April 1977. Of these, one pertaining to the Ministry of Home Affairs was received on 14 April 1977 whereas the other draft Note

from the Ministry of Defence was received on 26 April 1977. Yet another note from the Ministry of Works and Housing was received at the end of May 1977. In one case, pertaining to the Ministry of Finance (Department of Expenditure), Action Taken Note has not yet been finalised by them. The Committee take a serious view of the persistent delay taking place in the submission of Action Taken Notes and would like to be apprised of the measures contemplated by the Ministry of Finance to ensure that final Action Taken Notes on the Committee's recommendations are invariably furnished to them within the stipulated time limit of six months.

[S. No. 30 Appendix XXXVII Para 3.7 of 38th Report of P.A.C.
(Sixth Lok Sabha)]

Action Taken

(i) *Ministry of Finance (Department of Expenditure):*

The above recommendation has been noted by the Government and circulated to all the Ministries/Departments of the Government of India vide O.M. No. F. 12(2)-E (Coord)/78 dated the 19th June, 1978 (copy enclosed).

[Ministry of Finance (Department of Expenditure) O.M. No. F. 12
(2)-E (Coord)/78, dated the 19th June, 1978]

(COPY)

No. F. 12(2)-E (Coord)/78
GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF EXPENDITURE

New Delhi, the 19th June, 1978.

OFFICE MEMORANDUM

**SUBJECT:—38th Report of the Public Accounts Committee (1977-78)
(Sixth Lok Sabha)—timely submission of Action Taken
Notes.**

The undersigned is directed to forward herewith for information and necessary action the extracts of para 3.7 of Recommendation No. 30 to Appendix XXXVII of the Public Accounts Committee Report mentioned above. It may be stated that the Public Accounts

Committee has taken a serious view of the delays on the part of the Government in initiating and reporting action taken on their recommendations/observations in time. Ministry of Agriculture etc. are aware that this Ministry have already issued orders in this connection from time to time *vide* Office Memorandum No. F. 12(2)-(E) (Coord)/76 dated the 28th July, 1976, No. F. 12(38)-E (Coord)/76 dated the 18th January, 1977 and No. F. 12(7)-E (Coord)/77 dated the 12th August, 1977 indicating the institutional arrangements to monitor timely submission of Action Taken Notes on the recommendations of the Public Accounts Committee. In view of the observations made by the Public Accounts Committee, the Ministries Departments of the Government of India are once again requested that Action Taken Notes (duly vetted by Audit) should be finalised and submitted to the Lok Sabha Secretariat within the prescribed period of six months.

Sd/- J. P. DAS

Joint Secretary to the Government of India

To

All Ministries/Departments of the Government of India.

EXTRACTS OF PARA 3.7 (RECOMMENDATION No. 30) IN APPENDIX XXXVII OF THE PUBLIC ACCOUNTS COMMITTEE (1977-78) (SIXTH LOK SABHA)—38TH REPORT—REGARDING EXCESS OVER VOTED GRANTS AND CHARGED APPROPRIATIONS.

* * * * *

'3.7... The Committee find that while 25 Action Taken Notes were received by the date, i.e., 28th February, 1977, five notes were received upto 3 months after the due date. There was delay of the order of about a month in three cases. Two Notes were received in April 1977. Of these, on 14 April 1977 whereas the other draft Note from the Ministry of Defence was received on 26 April 1977. Yet another note from the Ministry of Works and Housing was received at the end of May 1977. In one case, pertaining to the Ministry of Finance (Department of Expenditure), Action Taken Note has not yet been finalised by them. The Committee takes a serious view of the persistent delay taking place in the submission of Action Taken Notes and would like to be apprised of the measures contemplated by the Ministry of Finance to ensure that final Action Taken Notes on the Committee's recommendations are invariably furnished to them within the stipulated time limit of six months.

* * * * *

(ii) *Ministry of Works and Housing*

The Ministry has taken effective steps to furnish the Action Taken Notes in time. Periodical meetings at Joint Secretary's level continue to be held to see that the notes on outstanding PAC recommendation are sent in time.

[Ministry of Works & Housing (Finance Division—Budget Unit)
O.M. No. G-25015/2/77-Bt. dated the 1st March, 1978.]

(iii) *Ministry of Home Affairs:*

In para 2.29 of 227th Report of Public Accounts Committee the Committee had expressed their displeasure over the persistent excesses that continued to occur, year after year, in the grant relating to the Andaman and Nicobar Islands. In particular, the Committee had expressed their unhappiness with the excess that occurred under sub-head A.12(5) (1)-Stock and A.12(5) (2)-Purchases in the above grant for the year 1974-75. Since the excess under these sub-heads occurred mainly due to adjustment of past liabilities, the Committee desired that this Ministry should take earnest measures to check the persistent tendency on the part of the A & N Administration not to make adequate provision for past liabilities.

2. As the sub-heads referred to above are under the administrative control of the Ministry of Works and Housing and that Ministry is responsible for making budget provision under these sub-heads, it was necessary to consult the Ministry of Works & Housing and obtain their suggestions on the recommendations of the Public Accounts Committee and at the same time to collect requisite information from the Union Territory Administration. The Union Territory Administration is like a miniature state government and have to collect the requisite information from their respective Departments which are scattered in the Islands and inter-Island communication difficulties are always there. In spite of our best endeavour to expedite the submission of the Note to the Public Accounts Committee it could not be sent in time due to the necessity for referring the case to the Union Territory Administration for details and clarification more than once. This fact was brought to the notice of the Lok Sabha Secretariat *vide* our letter No. U. 15030/10/76-AC.II dated 23-3-77 and extension was requested. The Lok Sabha Secretariat *vide* their letter No. F.9/4/76/PAC dated 30-3-77 granted the extension till 15-4-77 and the note was sent to them within this period. We are strictly observing the instructions issued by the Ministry of Finance regarding timely submission of Action taken notes and making all efforts to cut down the delays.

[Ministry of Home Affairs O.M. No. U. 15030/6/77-AC.II dated the 1st September, 1978.]

(iv) *Ministry of Defence*

In the recommendation, the PAC have *inter-alia* pointed out that one draft note from the Ministry of Defence was received on 26th April 1977 against the due date of 28th February 1977. This observation relates to the 'Action Taken Note' on Sl. No. 13 (Para 2.36) of Appendix XXXI to 227th Report of the PAC (Fifth Lok Sabha). The advance (unvetted) copy of the draft Action Taken Note on this observation was forwarded to the Lok Sabha Secretariat on 26th April 1977 and this was covered by the extension of time granted by the Lok Sabha Secretariat upto 30th April 1977 vide their U.O. No. F.94/76/PAC dated the 13th April 1977. The Action Taken Note, duly vetted by Audit, was submitted on 1-9-1977. Nevertheless the observations of the PAC have been noted for strict compliance of the time limit in future.

2. D.A.D.S. has seen.

[Ministry of Defence U.O. No. F.57(1)-76/D(Air.I) dated 27th July, 1978.]

Recommendation

In reply to quite a few recommendations (cf Sl. Nos. 1, 2, 7 and 16), it has generally been indicated that with the introduction of the schemes of Integrated Financial Advisers and Separation of Accounts from Audit and the introduction of departmentalised accounting system, it was hoped that greater post-budget vigilance would be exercised by the Ministries for effective control over expenditure. The Committee would like Government to make a periodical analysis of the position in regard to excess grants obtaining prior to and after the introduction of the scheme of separation of Accounts from Audit and also the extent of improvement brought about as a result thereof. The impact of the move so implemented should be reflected in the Appropriation Accounts of the current financial year.

[S. N. 31 of Appendix XXXCII, para 3.8 of 38 the Report of PAC (Sixth Lok Sabha)].

Action Taken

The above recommendation has been accepted by Government and circulated to all Ministries/Department of the Governments of India vide Ministry of Finance O.M. No. F.12(2)-E(Coord)|78 dated the 19th June, 1978 (copy enclosed).

[Ministry of Finance, (Department of Expenditure) O.M. No. F. 78(2)-E(Coord)|78, dated the 19th June, 1978.]

MOST IMMEDIATE

PUBLIC ACCOUNTS COMMITTEE

No. F.12(2)-E(Coord) /78

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF EXPENDITURE

New Delhi, the 19th June, 1978

OFFICE MEMORANDUM

SUBJECT:—*38th Report of the Public Accounts Committee (Sixth Lok Sabha) regarding Excesses over Voted Grants and Charged Appropriations.*

The undersigned is directed to forward herewith for information and necessary action the extract of para 3.8 (Recommendation No. 31) of the Public Accounts Committee Report mentioned above. Appropriate measures may be taken by the Ministries/Departments to exercise greater post-budget vigilance for effective control over expenditure. The Ministry of Agriculture, etc. are requested to make a periodical analysis of the position in regard to excess grants obtaining prior to and after the introduction of the scheme of separation of Accounts from Audit and also the extent of improvement brought about as a result thereof.

Sd/- S. S. L. MALHOTRA,

Deputy Secretary to the Govt of India.

To

All Ministries/Departments of the Govt. of India.

Extracts of para 3.8 (Recommendation No. 31) in Appendix XXXVII of the Public Accounts Committee (1977-78) (Sixth Lok Sabha)—38th Report—regarding Excesses over Voted Grants and Charged Appropriations.

“3.8... In reply to quite a few recommendations (c.f. Sl. Nos. 1, 2, 7 and 16), it has generally been indicated that with the introduction of the schemes of Integrated Financial Advisers and Separation of Accounts from Audit and the introduction of departmentalised accounting system it was hoped that greater post-budget vigilance would be exercised by the Ministries for effective control over expenditure. The Committee would like Government to make a periodical analysis of the position in regard to excess grants obtaining

prior to and after the introduction of the scheme of separation of Accounts from Audit and also the extent of improvement brought about as a result thereof. The impact of the move so implemented should be reflected in the Appropriation Accounts of the current financial year.”

* * * *

Recommendation

3.9. The Committee would like that final replies to the recommendations on which interim replies have so far been sent are furnished to them, duly vetted by Audit, without further delay.

(Sl. No. 32 Appendix XXXVII Para 3.9 of the P.A.C's: 38th Report (1977-78)—Sixth Lok Sabha].

Action Taken

I. Expenditure on National Highways:

Under Entry 23 on the Union List of the Seventh Schedule of the Constitution, National Highways are a Central subject. The Government of India, are, therefore, primarily responsible for the development and maintenance of the National Highways. In order to administer this Central subject, the Government of India enacted the National Highways Act, 1956 and entrusted the duties and functions relating to the development and maintenance of National Highways to State Governments concerned under Section 5 of that Act which flows from Article 258(1) of the Constitution. Though the actual development and maintenance works are being executed by the State Governments on an agency basis, the entire expenditure involved is met by the Government of India from the Consolidated Fund of India.

2. Prior to departmentalisation of accounts, the expenditure used to be incurred by the State Governments initially from their own resources out of the Public Account of the State and it was later adjusted by the State Accountants General against the Central Heads of Accounts. Following the departmentalisation of accounts with effect from 1st July, 1976, the State Accountants General prepare a monthly statement of such expenditure which is reimbursed by the Pay and Accounts Officer, Ministry of Shipping and Transport. It has been the experience of the Ministry of Shipping and Transport that, in many cases, the State Government officers do not limit the expenditure to the amounts sanctioned but exceed them. There is no control by the Central Government over the incurring of expenditure by the State Public Works divisions and, at the same time, the expenditure is also not subject to budgetary discipline of the State Government, as provision of funds is not made in the

State Budgets. This has resulted in excesses over the provision in the Central Budget year after year, which has been adversely commented on by Public Accounts Committee.

3. Following the recommendation made by the Public Accounts Committee at S. No. 1 of Appendix XXXV to their 49th Report (5th Lok Sabha), a Task Force consisting of the representatives of the Finance Ministry and the C.&A.G. was set up in December, 1972, to investigate the causes for excesses and suggest remedial measures to improve the budgetary system. The Task Force recommended that the "system of grants-in-aid to States for expenditure on maintenance and construction of National Highways may be tried by the Ministry of Shipping and Transport in consultation with their Associated Finance and the Comptroller and Auditor General."

4. The report of the Task Force was considered in a meeting taken by the Finance Secretary on 25th April, 1974 and it was decided that the existing procedure should be changed and that the system of payments in instalments analogous to that for grants-in-aid should be adopted, but instead of grants-in-aid the payments to the State Governments may be styled as 'reimbursements' or 'payments for services rendered' or given some other appropriate name, so as to retain the present character of agency system through which the works are executed and checks on quality of Works, etc. exercised. It was also decided that it should be ensured that the releases of instalments are tied up with the progress of works. Since the proposed procedure involved a departure from the existing procedure and brought in picture the State Government finances, it was agreed that the States should be addressed in the matter after getting a clearance from the C.&A.G.

5. In terms of this decision, the Ministry of Shipping and Transport prepared a draft letter (to the State Governments) and referred it to the Finance Ministry in November, 1974. The Ministry of Finance suggested that the draft letter may be suitably altered to indicate that Government of India intends to entrust the functions to the State Governments in terms of article 258(1) of the Constitution and that the State Governments may give their consent and also agree to the budgeting arrangement as indicated in the draft. It may be mentioned here, that this suggestion was made on the basis of a proposal earlier made by the Ministry of Transport in November, 1971 to entrust the functions relating to National Highways to State Governments under Article 258(1) of the Constitution, which had also been agreed to by the C.&A.G. subject to the conditions of entrustment being shown to them (C.&A.G.). The draft letter to the State Governments could not be finalised for two reasons viz.:

- (a) since the functions could be delegated under Section 5 of the National Highways Act, the necessity for entrusting the functions under Article 258(1) of the Constitution was not clear; and
- (b) it was also not clear whether the State Governments could initially incur the expenditure out of their Consolidated Funds and seek reimbursement from the Centre subsequently.

The Ministry of Law held that the entrustment under Article 258(1) would be legally possible only if the notifications already issued by the Central Government under Section 5 of the Act are removed. As regards the Second point, they held that it was only an administrative matter. The C. & A.G. expressed a doubt whether it would be in order for the State Governments to meet the expenditure initially from their Consolidated Funds, as National Highways are a Central subject. According to the C. & A.G., the provision of funds could not be treated as a merely administrative matter. They suggested that definite views of the Law Ministry should be obtained and the views of the State Governments also sought before a final decision was taken. The Ministry of Shipping and Transport, however, suggested delegation of functions under Section 5 of the Act which would not involve concurrence of the States.

6. Due to conflicting views on the subject, the procedure could not be finalised and a meeting was held by Secretary, Ministry of Transport, on 5th July, 1976 with the representatives of Ministry of Finance, Ministry of Law and the C. & A.G. It was decided in the meeting that the matter should be referred to the Ministry of Law for obtaining the views of the Attorney General of India. The Ministry of Law, accordingly, prepared a statement of case in consultation with the Ministries of Finance and Shipping and Transport for obtaining the opinion of the Attorney General. The draft statement of the case was referred to the office of the C. & A.G. on 4th April, 1977 for comments. It was observed by the office of the C. & A.G. (September, 1977) that the draft statement did not seem to bring out the various issues involved and the basic point at issue, in their proper perspective, and that the implications of Article 258(3) of the Constitution did not seem to have been properly focussed. They desired that discussion may be held with the concerned officers of the Ministries of Law, Shipping and Transport and Finance, so that the relevant points at issue may be discussed and agreed upon. Accordingly, an inter-departmental meeting was held on 13th March, 1978 to discuss the statement of case. The meeting

was attended by the representatives of the Ministry of Finance/Law/Shipping and Transport and the C. & A.G. of India. Further cation in this regard is being taken by the Ministry of Law.

7. Till the matter is settled in consultation with the Comptroller and Auditor General and after obtaining the opinion of the Attorney General, the National Highway Accounting Cell in the Ministry of Shipping and Transport is being strengthened to ensure proper accountal and control of the expenditure.

II. Net Budgeting in the C.P.W.D. under suspense:

Prior to 1956, 'Net budgeting' was being resorted to in the C.P. W.D. under 'Suspense' i.e. provision was being made for anticipated net increase/decrease in the Suspense balance. In 1956, it was decided to make budgetary provision under 'Suspense' for gross amount instead of net amount. This change in the procedure entails multiple budgetary provisions under 'stock' and 'purchase' depending upon the number of intermediary stages through which the materials have passed from the time of purchase till ultimate use.

2. The question of net budgeting under 'Suspense' head was considered in a meeting taken on 3rd December, 1959 by the Comptroller and Auditor General of India. Following this, a new procedure applicable to all the departments of Union and State Governments, was circulated by the Comptroller and Auditor General on 22nd April, 1960. The essential features of new procedure were:

(a) Where stores are purchased for specific works and can be identified *ab initio* as such, the expenditure may be debited direct to the works concerned and not passed through the general Stores Suspense head. If the stores arrive before payments are made, suspense head within the works/projects/Grants should be operated upon, to watch the liquidation of the liability. If payments have been made in advance and the stores have not arrived, the payment should be debited direct to the work, suitable arrangements being made to watch the receipt of material.

(b) Where stores are purchased for general purposes, the value of materials should be debited to the stores suspense head and the vote taken for the gross expenditure. If payment has not been made, the head 'purchase' will be operated upon but this will be treated as a detailed head under the main stores suspense head.

(c) Credits for stores issued to works and services for which funds are provided within the same Grant as the stores suspense head, should be taken in reduction of expenditure under the suspense head; the vote will then be for the net debit.

Owing, however, to certain practical difficulties in the application of this procedure to the C.P.W.D., the matter was discussed with the Office of the Comptroller & Auditor General on 10-5-1961 and it was decided to maintain the *status quo*. The revised procedure was accordingly, not made applicable to the C.P.W.D.

3. Pursuant to the recommendation made by the P.A.C. in their 49th Report (5th Lok Sabha), a Task Force consisting of the representatives of the Ministry of Finance and the Comptroller and Auditor General was constituted (December, 1972) to investigate the causes for excesses over budget provisions and to suggest remedial measures to improve the budgetary system. In the case of public Works Expenditure, the Task Force recommended that:

“.....where the excesses are largely due to lack of control in suspense of stores transactions, the system of net budgeting (the difference between the total debits and total credits on account of transaction of stores) which is followed in the Posts and Telegraphs may be tried by the Ministry of Works and Housing in consultation with their Associated Finance and the C&A.G.”

4. The question of introduction of net budgeting in the C.P.W.D., as in the case of Railways and P&T, as recommended by the Task Force was examined by the Ministry of Works and Housing who expressed the following difficulties in implementing the proposed system of net budgeting:—

- (a) For the purpose of net budgeting, it would be necessary to distinguish the transaction of stores issued, which should be taken as reduction of expenditure and those which should be shown as credits (i.e. below the line recoveries). Since a larger number of works under various major heads are dealt with by the divisions, such a segregation of stores issued would be difficult and misclassifications are likely.
- (b) Since the stock suspense sub-head would be operated by Central Stores division as well as by all the maintenance divisions, the proposed treatment of inter-divisional transfer of stores taken to 'stock' would lead to minus debit under 'stock'.
- (c) Since the stores content of repair works for which provision is made in the 'Revenue' section of the same Grant (where provision is made for general stores suspense) constitutes only a small percentage (11 per cent) of the total provisions for general stores suspense the advantage of the proposed system would be rather limited.

5. The procedure for management and accounting of Stores in the Railways and P&T (which also follows the pattern in Railway) is very well-organised and centralised and is different from the procedure followed in C.P.W.D. Also, if the C.P.W.D. switches over to the accounting procedure being followed by the Railways, it will mean extra staff and the consequential additional expenditure of about Rs 17 lakhs annually. It has, therefore, been decided that the Ministry of Works and Housing should conduct a detailed study of the accounting and budgeting of the C.P.W.D., *vis-a-vis* the pattern followed by Railways, and that, in the meantime, the *status quo* may be maintained. It was also decided that the Department should exercise strict control over the expenditure *vis-a-vis* the funds provided for the Suspense Head in the Budget Estimates, to avoid the excesses occurring year after year.

6. The position will be reviewed again after the proposed study by the Ministry of Works and Housing is completed.

7. This has been seen by Audit.

[Ministry of Finance (Department of Expenditure) O.M.* No. F. 12 (38)-E (Coord)/76, dated the 3rd June, 1978]

II. RECOMMENDATIONS OR OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES OF GOVERNMENT

Recommendation

2.11. The Committee are concerned to note that during the year 1975-76, there have been misclassifications of expenditure under eight grants administered by Ministry of Railways on a fairly large scale. In spite of the instruction repeated in D.O. letter No. F. 11(8)/N&M/75 dated the 25th April, 1975, by the Ministry of Finance, (Department of Economic Affairs), that 'reconciliation work has to be attended to promptly every month so that rectification of errors, misclassifications, if any, is effected in time, resulting in better control over expenditure *vis-a-vis* the budgetary provision' the Committee are constrained to observe that the important work of reconciliation of departmental figures with those accounted for in the Accounts Offices appears in-effective.

Taking a serious view of the matter, the Public Accounts Committee (1975-76), in paragraph 24 of their 180th Report (Fifth Lok Sabha) had observed as follows:

"That this should be so despite earlier recommendations of the Committee emphasising the need for prompt reconciliation of accounts would indicate that adequate attention is not

*Not vetted in Audit.

being paid by the concerned Ministries to this important aspect of accounting and that the instructions issued from time to time in this regard have failed to produce the desired effect. As such misclassifications vitiate sound budgetary control, the Committee desire that necessary remedial measures should be taken to eliminate the default."

2.12. The Committee deplore such recurrent lapses and desire that positive instructions should be issued by the Ministry of Finance and the Ministry of Railways to eliminate such misclassifications in future. The Committee would also like to have a categorical statement from the Ministry of finance whether a certificate to the effect that the reconciliation work has been completed by the due date is invariably furnished by the Internal Financial Adviser concerned to their Budget Division, as per instructions issued by them on the 25th April, 1975.

[S. Nos. 7&8 Appendix XXXVII paras 2.11 & 2.12 of the 38th Report of the P.A.C. (6th Lok Sabha)]

Action taken*

(i) Ministry of Finance (Department of Expenditure):

The Union Government (Civil) Accounts were departmentalised in three stages during the year 1976-77 whereupon the Comptroller and Auditor General of India has been relieved of the responsibility for compiling the accounts of Union Government (Civil) except those relating to Pensions, Indian Audit and Accounts Deptt. and Union Territories Administration except Delhi.

Under the scheme of departmentalisation of accounts, the Secretary to the Ministry/Department of the Govt. of India is the Chief accounting Authority for the Ministry/Department concerned and he discharges these functions through the Financial Adviser of the Ministry. The Departmentalised Accounts Organisation is responsible for the payment, compilation and consolidation of Accounts including preparation of Appropriation Accounts and functions under the direct control of the Financial Advisers.

As the accounts are compiled Deptt-wise, by the Accounts Department functioning along side the executive, the detailed drill prescribed in the General Financial Rules for the reconciliation of departmental figures with that appearing in the Accounts have undergone some changes. Taking into account these aspects, revised instructions

*Not vetted in Audit.

have since been issued for the reconciliation of expenditure as per books of the departmental offices with those compiled by the Departmental Pay and Accounts Officers *vide* circular No. S. 11012/Misc/78/880 dated 4-5-1978 (copy enclosed). Under the provisions of para 2(5) of these instructions, the Head of the Department should certify the correctness of the figures booked in accounts by the Principal Accounts Officers every quarter. It is hoped that with the issue of these instructions, the monthly reconciliation of expenditure between Accounts & Departmental figures will be effective and misclassification, if any, will be detected and rectified in time. This coupled with the departmentalisation of Union Government (Civil Accounts) will result in better control over expenditure *vis-a-vis* the budgetary provision.

The question whether, consequent on the departmentalisation of accounts of the central Government, the maintenance of figures of expenditure by the executive offices, should not be dispensed with, had been under the Government's consideration. It has been decided that the executive offices should continue to maintain the figures of expenditure and, as mentioned above, instructions for reconciliation of figures of expenditure have also since been issued on 4th May, 1978.

As the Appropriation Accounts of the Central Government are now being compiled by the Controller General of Accounts in the Ministry of Finance, Department of Expenditure, instructions have also been issued under circular No. S. 11021/1/77-MF-CGA/985 dated 17th May, 1978 (copy enclosed) to the effect, that the concerned Financial Advisers will now furnish a certificate of reconciliation of figures of expenditure annually to that office alongwith the Appropriation Accounts.

*[Ministry of Finance (Department of Expenditure) O.M. No. S. 11021/1/77-MF-CGA dated the 17th May, 1978]

(Copy)

No. S. 11012/Misc./78/880

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF EXPENDITURE

CONTROLLER GENERAL OF ACCOUNTS

New Delhi, the 4th May, 1978.

OFFICE MEMORANDUM

SUB: Reconciliation of figures as per books of departmentalised offices with those compiled by the P.A.Os.

The procedure followed for control of expenditure against the sanctioned grants and appropriations placed at the disposal of the

*Not vetted in Audit.

Heads of the Department, Controlling Officers and Disbursing Officers subordinate to them as well as the reconciliation of departmental figures with those booked in the accounts offices is contained in paras 65—67 of the General Financial Rules. The changes that are necessary in this procedure consequent on departmentalisation of accounts have been under the consideration of this Ministry for some time past.

2. The main objects of reconciliation as explained in Chapter VII of the G.F.R. para—68 (2) (viii) are as follows:

“The reconciliation need not be very close; its extent should be determined by the following considerations:—

- (a) that the account figures finally published will be those maintained by the Audit Officer|Accounts Officer; and
- (b) that the main object of the reconciliation is to ensure that the departmental accounts are sufficiently accurate to render possible an efficient departmental control of expenditure.”

Keeping these objectives in view, it has been decided after consultation with Comptroller & Auditor General of India that the following procedure will be followed by the departmental officers and the Pay|Principal Accounts Officers:—

- (1) The Disbursing Officer need not attach to each bill a slip in Form GFR—8 as envisaged in para.—66(1) of GFRs. The D.D.Os will continue to maintain the bill register in para. F.R. 28A, and note all bills presented for payment to the P.A.O. in the register. As soon as cheques for the bills presented for payment are received these will be noted in the appropriate column of the bill register and the D.D.Os. will ensure that the amounts of cheques tally with the net amount of the bills presented. In case any retrenchment is made by the P.A.O., a note of such retrenchments should be kept against the bill in the remarks column in T.R. 28A.
- (2) After compilation of accounts of a month are over the P.A.Os. should furnish to each of the D.D.Os. including Cheque Drawing D.D.Os, an extract from the expenditure control register in Form PAO. 13 or from the classified abstract indications the expenditure relating to grants controlled by him classified under the various major-miner ~~detailed heads of accounts~~. The P.A.O. should before sending ~~the statements ensure that the totals of all D.D.O.-wise~~

statements tally with the classified abstract totals for the month. The statements for May to March should also contain Progressive Figures.

- (3) On receipt of these extracts from the P.A.Os, the 'DDOs. should compare the details of transactions excluding book adjustments, with the expenditure totals worked out for the month in the register in GFR. 9. Normally, if the checks prescribed at item (1) above have been carried out and the amounts of bills and cheques reconciled, the figures advised by the P.A.O. monthly and those worked out by the D.D.Os. in G.F.R. 9 should tally. Discrepancies, if any, between the two sets of figures should be promptly investigated by the D.D.O. in consultation with the P.A.O. He will also note in the register in GFR-9 particulars of book adjustments advised by the PAO through the monthly statement with a suitable reference to the statement in the remarks column of GFR-9. Therefore, the DDO should furnish to the P.A.O. a certificate of agreement of the figures as per his books with those indicate by the PAOs. by the last day of the month following the month of accounts.
- (4) The D.D.Os. should furnish a monthly statement of total expenditure brought to account in GFR-9 to the Controlling Officer, as at present. The Controlling Officers and Heads of Departments responsible for control over expenditure will maintain the prescribed registers in Forms GFRs. 11 and 12 respectively. This control should be exercised in respect of all items of expenditure including salaries.
- (5) The Principal Accounts Officer of each Ministry should send in the Proforma enclosed, a monthly statement showing the expenditure *vis-a-vis* the budget provision under the various heads of accounts, to the Heads of Departments responsible for over-all control of expenditure against grant of the Ministry as a whole. The figures so communicated by the Principal Accounts Officers should be compared by the Heads of Departments with those consolidated in Form GFR 12 and differences, if any, should be taken up by the Heads of Departments with the Principal Accounts Officers. The Head of the Department should furnish a quarterly certificate to the Principal Accounts Officer certifying the correctness of the figures for the quarter by the 15th of the second following month after the end of quarters April-June, July-Sept., October-December and January-March.

(6) The Principal Accounts Officer will also reconcile his figures quarterly with the figures booked by the Pay and Accounts Officers with a view to rectifying any errors in classification committed by the Principal Accounts Office.

3. The procedure prescribed above is designed to ensure that reconciliation of expenditure is made on a systematic basis by the D.D.O.s with the figures booked in accounts. In order to ensure effective control over expenditure and to avoid delay in preparation of final accounts, it is essential that the Controlling Officers and the Heads of Departments should ensure that the D.D.O.s carry out the reconciliation regularly and in a systematic manner and furnish necessary certificates and returns to the Controlling Officer/Head of the Department in time.

Sd/- R. Venkataraman
Dy. Controller General of Accounts.

No. S. 11012/Misc/78/880 dated 4-5-1978

Copy to all the Chief Controllers of Accounts, Controllers of Accounts, Dy. Controllers of Accounts.

Copy to all the Dy. C.G.A.s, A.O.s in the CGA's office.

Copy to the C.A.G. of India, New Delhi with reference to this D.O. No. 560-TA-II/60-77, dated 10-4-1978.

* * * * *

PROFORMA

Principal Accounts Office,
Ministry/Department of
Statement showing the booked figures for and up to the month of 197

Grant No.	Unit of appropriation	Budget Provision	Booked Expenditure for ....197 -	Booked Expenditure for the year .....upto .....197 .	Remarks
			Rs.	Rs.	

Forwarded to the.....for verification with the figures consolidated by his office in form G.F.R. 12 and communicating differences if any.

Accounts Officer.

(Copy)

No. S. 11021|1|77-MF-CGA|985
GOVERNMENT OF INDIA

Ministry of Finance
Department of Expenditure
Controller General of Accounts

New Delhi, dated the 17th May, 1978.

OFFICE MEMORANDUM

Subject:—Reconciliation of figures as per books of Departmental Offices with those compiled by the Pay and Accounts Offices.

Attention is invited to D.O. letter No. F. 11 (1)-W&M|75 dated 25th April, 1975 from Shri B. Maithreyan, Joint Secretary, Department of Economic Affairs, Ministry of Finance to the Internal Financial Advisers attached to the various Ministries and Departments of Govt. of India in which the Financial Advisers were requested to nominate some senior officer of each Ministry|Department for co-ordination of the work concerning reconciliation of departmental figures with those appearing in the books of the Accounts Officers. In this Office Memorandum No. S. 11012|Misc.|78|880 dated 4th May, 1978, the procedure to be adopted for reconciliation of figures booked by the Pay and Accounts Officers with those kept by the departmental officers have been issued.

2. It has since been decided that, apart from the procedure prescribed in the Office Memorandum dated 4-5-1978, the Financial Advisers|Chief Controllers|Controllers of Accounts should furnish the following certificate alongwith the Appropriation Accounts to this office:—

“Certified that the figures of expenditure included in the detailed Appropriation Accounts stand reconciled and accepted by the Head of Department|Ministry.”

3. These instructions may please be noted for strict compliance.
4. Hindi version will follow.

Sd|- R. C. GHEI,

Joint Controller General of Accounts

To

The Chief Controllers of Accounts, Controllers of Accounts,
Deputy Controllers of Accounts.

All the Dy. C&AG., Accounts Officers in the C&AG's Office.
C&AG of India, New Delhi with reference to his *** **

To

1. All Financial Advisers of the Ministries|Departments of Govt. of India.
2. The Chief Controllers|Controllers|Deputy Controllers of Accounts in the Ministries|Departments of Govt. of India.
3. C&AG of India, New Delhi in continuation of this Department's O.M. No. S. 11012|Misc.|78|880 dated 4th May, 1978.
4. Shri Jagdish Prasad, Hindi Officer, Ministry of Finance, Department of Expenditure for preparing Hindi translation and sending Hindi stencil at an early date.

Copy forwarded for information to:—

1. P.S. to Controller General of Accounts.
2. Jt. CGA(G)|Jt. C.G.A. (B)|Jt. C.G.A. (K).
3. Dy. C.G.A.(B)|Dy. C.G.A. (V)|Dy. C.G.A. (D).
4. All Accounts Officers in the CGA's Organisation.

Sd/- R. M. BHARGAVA,

Dy. Controller General of Accounts.

(ii) Ministry of Railways (Railway Board):

While recommending the regularisation of excesses occurred during the year 1975-76, the Committee have adversely commented upon the misclassifications of expenditure under eight grants and have desired that positive instructions should be issued to eliminate such misclassifications in future.

The above recommendations of the P.A.C. have been noted and brought to the notice of the General Managers of the Zonal Railways, Production Units and Metropolitan Transport Projects (Railways), for a thorough scrutiny of the reasons for the deterioration in the position and for exercising an effective reconciliation of the subsidiary books with the General Books from time to time in order to eliminate the chances of any misclassification remaining undetected and unadjusted at the close of accounts for the year. They have also been instructed to make a thorough probe into the circumstances leading to misclassifications and mistakes of high magnitude viz. Rs. 50000/- and above remaining unadjusted during 1975-76 for deterrent action in order to avoid such instances in future.

This has been seen by Audit.

[Ministry of Railways (Railway Board) O.M. No. 77-BC-PAC/VI/38, dated the 18th March, 1978.]

III. RECOMMENDATIONS/OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

The Committee note that the gross excess under the head 'A-2(1)-Maintenance of National Highways' of Rs. 257.36 lakhs represents about 14.3 per cent of the original budget provision. The excess under this head has almost become a recurring feature. The reasons attributable to the excess are that extensive repair works were undertaken on the National Highways damaged by heavy rains in various parts of the country and increase in cost of material and labour for maintenance works as compared to the norms prescribed by the Central Government. The maintenance and repair work are undertaken by the various State Governments who are the executing agencies of the Central Government for the development and maintenance of the National Highways. The Committee are unable to understand why the increase in cost of materials and labour could not be anticipated in close and functional coordination with the State Highway authorities and fully provided for while framing the Revised Estimates, if not earlier. It seems the instructions issued in the past have had little effect in improving the budgetary procedures and controls in the Ministry. The Committee would in particular like the Ministry to examine critically specific steps taken in the implementation of the instructions issued repeatedly by them to tighten up the budgetary procedures and controls in order to identify as to what further steps are necessary to contain the recurring phenomenon of excesses over voted grants|charged appropriations.

[S. No. 20 (para 2.54) of Appendix XXXVII to the 38th Report of P.A.C. (Sixth Lok Sabha)]

Action Taken

The excess of Rs. 257.36 lakhs on the maintenance and repairs of National Highways during 1975-76 has been arrived at as follows:—

Original Grant	..	..	Rs. 1800.00 lakhs
Supplementary Grant	..	..	Rs. 82.53 lakhs
Final Grant	..	..	Rs. 1882.53 lakhs
Actual Expenditure	..	..	Rs. 2139.89 lakhs
Excess	..	..	Rs. 257.36 lakhs

The provision during a particular year is assessed both at the Budget Estimates stage and the Revised Estimates stage taking into account the actual requirements after due allowance for increase in the cost of labour and materials and other special circumstances like floods, to cyclones etc. from time to time but the provision finally accepted depends on the overall financial resources position and due to financial constraints, it is invariably less than the requirements assessed for this purpose. This will be clear for 1975-76 in this regard from the table below:—

	Funds assessed	Funds provided
	(Rs. in lakhs)	
Budget Estimates 1975-76	1990.00	1800.00
Revised Estimates 1975-76	2089.00	1887.00

The actual expenditure of Rs. 21.40 crores was thus very near to the amount assessed at the R.E. stage for 1975-76. However, as stated above, in view of the financial constraints, the full requirement could not be accepted.

2. The Ministry thus did try to make as near an estimate of the anticipated expenditure as possible and if the funds equal to the Ministry's assessments at the R.E. stage had been provided fully, the actual expenditure would have been very near to the anticipated requirements. However, financial constraints stood in the way. Despite this, however, Government are fully alive to the requirement of the need and urgency for preventing excesses over sanctioned budget grants and are not only tightening the various administrative instructions for preventing these excesses, but are also taking steps to evolve a revised procedure to solve this problem *vide* paras 5—6 below.

3. In paras 2.7, 3.18 and 3.19 (serial Nos. 6, 33 and 34 respectively of Appendix XXXVII of the Report) also references have been made to excesses in respect of maintenance and repairs of National Highways. As regards paras 3.18 and 3.19 the reasons for excesses as well as the remedial measures therefor are same as in respect of the recommendation being dealt with here.

4. As regards para 2.7 (serial No. 6 of Appendix XXXVII), the position regarding the excesses during the last five years *i.e.* from the

year 1971-72 to the year 1975-76 in so far as Grants for Road are concerned is indicated below:—

(Rs. in lakhs)

Category of Expenditure	Excesses				
	1971-72	1972-73	1973-74	1974-75	1975-76
Revenue Capital	230.30	49.32	..	..	2.87
Capital . . . . .	..	320.36	..	..	66.32

The main reasons which led to the above mentioned excesses are indicated below:—

- (i) *Excesses under Revenue Section:* The excesses during 1971-72, 1972-73 and 1975-76 under the Revenue Section were mainly on the maintenance and repairs of National Highways in the country and were for the same reasons as indicated in para 1 above. The excess during 1971-72 also included a sum of Rs. 53,824/- under charged portion. Against the sanctioned grant of Rs. 10,000/- there was an expenditure of Rs. 63,824/- resulting in an excess of Rs. 53,824. This excess was under the sub-head 'A.2(4)—Grants-in-aid as larger payment of compensation was required to be made than anticipated for various awards relating to land acquisition cases.
- (ii) *Excess under Capital Section:* (a) the excess under the Capital Section during 1972-73 was mainly on the development of National Highways (Rs. 1125.01 lakhs including Rs. 2.50 lakhs under charged portion). The excess under voted portion was mainly due to accelerated development following the steps taken by States for building up their organisation capacity to undertake more works; need for avoiding contractual complications and the requirement of meeting certain pressing claims like those relating to payment of land acquisition award which could not be postponed as that would have lead to payment of unnecessary interest charges and created various administrative and legal complications. The excess was however, partly off set by savings under other sub-heads in the grant and the net excess amounted to Rs. 3,19,85,536.

Under the charged portion the excess was to the tune of Rs. 49,862/-. Actually the excess under the sub-head A.1(1)-Construction of National Highways was to the extent of Rs. 2,49,862 and

was to meet expenditure in satisfaction of a Court decree which could not be anticipated till late in the year. This excess was off set by saving to the extent of Rs. 2,00,000 under other sub-heads in the Grant resulting in a net excess of Rs. 49,862/-.

(b) As regards the excess under Capital Section during 1975-76 it was mainly on account of excess of Rs. 69,00,941 for the procurement of tools and plants which was reduced to Rs. 66,32,412/- by savings under other sub-heads. This procurement was largely due to clearance of debits for the procurement of tools and plants through the Directorate General of Supplies and Disposals not anticipated earlier.

5. In regard to the general question of excesses over sanctioned grants in respect of National Highways, it may be stated that though the expenditure on the development and maintenance of National Highways is met by the Central Government actual execution is done by the State Governments as agents of the Central Government. The expenditure on these works is also incurred by the State Governments through their officers. Till September, 1976, the expenditure incurred by them was debited directly against the Central Cash balances. As a result in incurring the expenditure, the States were not subject to any budgetary control.

6. In order to overcome this situation, action is in hand to evolve a revised procedure for payment for National Highways on the basis of recommendations of a 'Task Force' appointed by the Government to go into the general question of excesses over sanctioned grants and steps necessary to prevent such excesses. The proposed revised procedure is being worked out in consultation with Ministry of Finance/Ministry of Law and C.&A.G.

7. Government is thus fully alive to the problem and are taking necessary action. It is hoped that as a result of all these measures the problem may be solved soon.

This has been vetted by Audit. —

[Ministry of Shipping & Transport (Roads Wing) O.M. No. B-29
(9)/77, dated the 11th July, 1978]

Recommendation No. 33 (Para 3.15)

The Committee are once again constrained to observe that inspite of repeated recommendations by them for an expeditious examination of the suggestions made by the Task Force over 3 years back, no finality has yet been reached in this matter of importance, with the result that excess expenditure mainly in the grant relating to the maintenance of national highways has become a recurring feature

over years. Surprisingly, the excesses under the head 'A.2(1)—Maintenance of National Highways' during the year 1975-76 were as high as Rs. 2,57,35,778. In their explanatory note, the Ministry of Shipping and Transport (Roads Wing) have indicated that 'the excess was mainly due to extensive repair works undertaken on the national highways damaged by heavy rains in various parts of the country and increase in cost of material and labour for maintenance works as compared to the norms prescribed by the Central Government'. The Maintenance and repair works were undertaken by the various State Governments who are the executing agencies of the Central Government for the development and maintenance of national highways.

Recommendation No. 34 (Para 3.19)

The Committee would urge that final action on the recommendations specially aimed at streamlining budgetary procedures be initiated without further loss of time so as to ensure sounder budgetary control than what exists at present, particularly in respect of certain grants administered by the Ministry of Shipping and Transport. The Committee have also dealt with particular excesses relating to the grant 'Maintenance of National Highways' that occurred during 1975-76 separately in Chapter II of this Report.

[S. No. 32 to 34 Appendix XXXVII Paras 3.9, 3.18 and 3.19 of 38th Report of P.A.C. (Sixth Lok Sabha)]

Action Taken

The above recommendations have been dealt with in the Action Taken Note already furnished to the Lok Sabha Secretariat *vide* our OM. No. F.12(38)-E (Coord)/76, dated the 7th June, 1978.

[Ministry of Finance, (Department of Expenditure) O.M. No. F. 12(2)-E(Coord)/78, dated the 19th June, 1978]

IV. RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES.
Nil.

APPENDIX XVII

Conclusions and Recommendations

S. No.	Para No. of Report	Ministry or Department concerned	Conclusion or Recommendation
1	2	3	4
1	1.5	Finance (Expenditure)	<p>The Committee have earlier indicated in paragraph 1.2 of the Report that while the Appropriation Accounts (Railways), (Posts and Telegraphs) and (Defence Services) for the same year were laid on the Table of the House on 4 April 1978, the Appropriation Accounts (Civil) for the year 1976-77 were laid on the Table of the House on 24 August, 1978. The Committee find that since the Comptroller and Auditor General of India was not relieved of the responsibility for the preparation of the Finance Accounts for the year 1976-77 and the Appropriation Accounts were to be prepared by the respective Ministries/Departments etc. the process of consolidation and subsequent reconciliation of the Appropriation Accounts with the Finance Accounts for the year 1976-77, maintained and compiled respectively by two different authorities, became comparatively more complex and, coupled with delays in reconciliation of departmental figures with accounts figures, tended to take more time. The Committee have, however, been assured by the Ministry of</p>

Finance (Department of Expenditure) that earnest endeavour would be made towards finalisation of the Appropriation Accounts (Civil) for 1977-78 in time so as to lay them on the Table of the House during April, 1979. The Committee trust that the Appropriation Accounts (Civil) will hereafter be laid on the Table of the House in the Budget Session of Parliament.

2 2.4

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The Committee note with satisfaction that there was a noticeable reduction in the excess expenditure disclosed in the Appropriation Accounts (Civil) during the year under review viz., 1976-77 as compared to the previous two years. The aggregate amount of expenditure incurred in excess of the amounts authorised by Parliament under various Voted Grants and Charged Appropriations has shown a downward trend in that it aggregated Rs. 230.32 crores in 1974-75, Rs. 59.39 crores in 1975-76 and Rs. 20.65 crores in 1976-77. The Committee trust that sustained endeavours would be made by the Ministries/Departments to ensure that the position is not allowed to deteriorate. The Committee also expect that with the introduction of the Scheme of Integrated Financial Advisers and Separation of Accounts from Audit in stages during April, July and October 1976, the position would improve further.

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3 2.8

Chemicals & Fertilizers

The gross excess of Rs. 2,01,572 is attributable to sub-head A.1(5) 'Office Expenses' under Grant No. 11, which was occasioned by sub-

stantially large and partly unanticipated expenditure on Telephone bills, furniture, typewriters, desert coolers and air-conditioners. Against the original grant of Rs. 6,00,000 for this sub-head, the actual expenditure amounted to Rs. 8,01,572, which works out to nearly 33 per cent in excess of the final grant. The excess has been attributed, *inter alia* to provision of immediate telephone facilities at the additional accommodation for the staff of the Ministry, as well as for installation of new telephone connections, purchase of additional furniture, stationery, typewriters etc., for additional clerical and other posts created and/or filled up during the year. Moreover, un-anticipated expenditure of Rs. 90,497 was incurred during the month of March 1977, consisting of Rs. 54,624 for telephone charges, Rs. 16,766 for desert coolers and Rs. 18,873 for adjustment of the cost of air-conditioners purchased in 1973-74 by the then composite Ministry of Petroleum and Chemicals.

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The Committee feel that the requirements of telephone connections, furniture, stationery, typewriters etc., could have been realistically assessed and forecast as soon as the additional posts were created and/or filled and timely additional provisions should have been made in the Revised Estimates. Further, adjustment of the cost of air-conditioners purchased in 1973-74 could, in the opinion of the Committee, have also been anticipated. The Committee suspect that liabilities on account of cost of air-conditioners, desert coolers and

telephone charges was deliberately underplayed at the time of Revised Estimates. The Committee would like the reasons for anticipatory savings under other sub-items to be investigated, so as to satisfy that there was no deliberate attempt to under-estimate the cost of air-conditioners etc.

5 2.12 Energy
 (Coal)

The excess occurred mainly under the group-head 'A.1(2)(4)—Travel Expenses' under the Department of Coal. It is significant that but for savings under other group heads, the excess expenditure would have been as high as Rs. 42,230. The Committee are of the opinion that since there is always admittedly scope for economy-in Travelling Expenses, the excess expenditure could have been minimised, if not altogether eliminated. In any case, the Committee would impress upon the Ministry to initiate timely action to provide fully for the anticipated expenditure, of course, with an eye on economy.

6 2.15 Finance
 (Economic Affairs)

The Committee note that the excess occurred under the sub-head "C. 2-States' share of Additional Excise Duties in lieu of Sales-tax" on account of over-payment of Rs. 60 lakhs made to the Government of Madhya Pradesh on 31 March 1977, due to clerical error in calculation of the amount payable to the State Government. Even though, according to the Ministry of Finance, the amount of Rs. 60 lakhs paid in excess was recovered from the State Government during 1977-78 by adjustment against its share of Additional Excise Duties in lieu of Sales Tax in that year, the Committee are of the view that

this is a clear case of laxity in the financial control exercised at the supervisory level, for which responsibility should be fixed on individuals concerned for appropriate action. The Committee expect the Ministry of Finance to set an example in stricter financial control to other Ministries and/or Departments.

7 2.23 Finance (Economic Affairs)

The excess under Grant No. 39 is mainly attributable to the gross excess of Rs. 18.57 crores under head 'A.4(2)-Loss by Exchange' and occurred due to adjustments, largely pertaining to the years prior to 1976-77, carried out during the financial year 1976-77. There was a net excess of Rs. 1.64 crores under the sub-head 'B.5(3)-Loss by Exchange' during the year 1975-76 also. It is not clear how the adjustments of losses relating to previous years could not be assessed and fully provided for during the year 1976-77. Even though the expenditure, as contended, was notional in view of the heavy receipts on account of gain by exchange during 1976-77 and earlier years, the Committee have reasons to believe that the revised procedure introduced from 1974-75 for adjustment of such losses has not had the desired effect in streamlining the budgeting procedures. That this should be so despite earlier comments by the Committee and the instructions issued by the Ministry of Finance, would suggest that further steps are necessary to rationalise the existing budgetary and reconciliation procedures so as to conform to a fixed periodicity not exceeding beyond one year. The Committee desire a specific report in this regard.

8 2.26 -do-

The excess expenditure of Rs. 10.08 crores occurred under sub-head "AA.1-House Building Advances" against the final grant of Rs. 13.59 crores under this sub-head. The excess represents 74.17 per cent of this final grant. There was a similar excess of Rs. 4.18 crores under sub-head 'E.A. Loans to Government Servants etc.—House Building Purposes' during the year 1972-73 also. As in the past, the excess is attributed, *inter alia*, to spurt in construction activity and allotment of large number of ready built flats by the Delhi Development Authority and other housing societies/agencies. The Committee do not fully appreciate the reasons advanced for such huge excess of Rs. 13.59 crores. While realising that the actual releases of house building advances are made by the various Ministries or Departments and offices under them, the Committee also observe that all individual applications have to be approved by the Ministry of Works & Housing. The Ministry of Works and Housing, who thus exercise overall control for the grant of such advances, could have minimised the excess expenditure by more precise quantification of the additional anticipated requirements while augmenting the original budget provision. That the uncovered excess was brought down to a figure of Rs. 1.10 crores, only highlights the extent to which the estimates were over-pitched in so far as other sub-heads in the grant are concerned.

9 2.27 -do-

The Committee find that with effect from 1 April 1978, power to sanction house building advances to Central Government servants has been decentralised and that individual Ministries or Departments

will now be responsible for control over disbursement of advances to their staff against the funds allotted to them. The Committee would like to observe through the next year's Appropriation Accounts how far the decentralisation has helped to improve the overall Budgetary control.

10 2:30

Home Affairs

The Committee observe that the excess expenditure of Rs. 15,333 incurred under Charged Appropriation No. 52, is mainly attributable to sub-head 'A.2(1)—Directorate General, Border Security Force' and relates to the adjustment of decretal dues awarded by a Motor Accidents Claims Tribunal in an accident on 1-1-1969 involving a Border Security Force vehicle. The Bank which was conducting Government treasury business, made the payment on 5-10-1972 against an attachment order. The amount paid had to be kept under 'suspense' and was adjusted finally only when the voucher and the details were furnished by the Chief Accounts Officer, Incharge Treasuries in October 1976, after the matter was pursued by the Accountant General, Rajasthan. This case of avoidable excess underlines the need to reconcile and resolve promptly the discrepancies in monthly statement of accounts with supporting vouchers and details of the debit and to curb the tendency of transferring debits to 'suspense' head instead of clearance thereof to the final heads of account. The Committee would like the Ministry to examine the reasons for the lapse with a view to fixing responsibility for appropriate action. The

Committee also desire that details about the other sub-head(s) from which savings were available, which have not been furnished in the explanatory note need elucidation now.

11 2:31

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Even though the excess during 1976-77 which have resulted exclusively from an omission to bring to account an expenditure for which Supplementary Appropriation was obtained during 1973-74, but it remained unutilised in that year, and does not require regularisation on the analogy of recommendation contained in paragraph 4.26 of the 45th Report of the Committee (Third Lok Sabha), read with paragraph 7 of the Committee's 16th Report (First Lok Sabha), the Committee are unable to understand why such an omission could not be accounted for earlier than in October 1976. The Committee would like the Ministry to take effective remedial measures to obviate recurrence of such accounting omissions under advice to them.

12 2:37

Home Affairs

The Committee note that a gross excess expenditure of Rs. 140.16 lakhs was incurred under head "259.A.12(5)(1)—Public Works—Suspense—Stock". The net excess after taking into account savings from other heads of the grant, comes to Rs. 104.13 lakhs. As in the previous years, the excess was mainly on account of failure to make adequate provision for past liabilities. The Committee, while taking adverse note of this state of affairs in August 1976, had urged the Ministry to take earnest measures to check the apparently persistent tendency on the part of the Administration not to make adequate

provision for past liabilities. That such instances of failure to make adequate provision for adjustment of past liabilities should continue to recur in spite of repeated comments by the Committee in the past is regrettable. It seems the codal instructions and Government directions on proper maintenance of liability registers to keep a strict watch over the past liabilities as also highlighting the year-wise break-up of the old liabilities in proposals for Budget/Revised Estimates are observed more in breach than in compliance by the concerned Estimating Authorities. This case of avoidable excess expenditure underlines once again the need for a closer liaison between the indenting authorities, procurement agencies and/or Accounts Organisation, as the case may be. The Committee would like to be informed of the concrete measures taken to avoid recurrence of such excesses in future. The Committee also desire that the effect of installation of departmentalised accounting system introduced in stages during 1976 in overcoming this problem may be critically assessed under advice to them.

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13 2.41

Information & Broadcasting

The Committee find that the overall excess under Grant No. 66—Broadcasting, occurred mainly under head 'A.1(4)—Operation and Maintenance'. After setting off savings, it comes to Rs. 7.03 lakhs. It is significant that but for the savings, the real excess would have been much more, i.e. Rs. 71.15 lakhs, representing 15.6 per cent of the total grant. The Committee note that excess under this grant

administered by the Ministry of Information and Broadcasting has been persistent. The figures of excess for the year 1973-74 aggregated to Rs. 29.50 lakhs and in 1974-75 to Rs. 52.18 lakhs. The excess has been attributed mainly to issue of more stores and accelerated progress of works, anticipated expenditure on which, in the opinion of the Committee, is more easily ascertainable, at least at the time of framing of the Revised Estimates. The Committee are concerned at this apparently persistent tendency on the part of the Ministry of Information and Broadcasting not to foresee and make adequate provision for anticipated needs. The Committee would urge the Ministry to take earnest measures to effect improvement in future.

- 14 2.47 Shipping & Transport (Roads Wing)/Finance (Expenditure) The Committee find that the excess expenditure under 'Voted Portion' of Grant No. 80—Roads, is mainly attributable to gross excess of Rs. 290.31 lakhs on the maintenance and repairs of National Highways covering the sub-heads 'A.2(1)(1)—Maintenance by Roads Wing' (Rs. 275.58 lakhs) and 'A.2(1)(2)—Maintenance by Border Road Development Board' (Rs. 14.73 lakhs). The excess has, as in the past, been attributed to extensive repair works required to be undertaken on the National Highways damaged by heavy rains in various parts of the country and increase in the cost of material and labour for maintenance of works. In the Action Taken Note received
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in July 1978 in reply to the earlier observations made by the Committee in their 38th Report (Sixth Lok Sabha), the Ministry of Shipping and Transport (Roads Wing) have sought to explain that "the provision during a particular year is assessed both at the Budget Estimates stage and the Revised Estimate stage taking into account the actual requirements after due allowance for increase in the cost of labour and materials and other special circumstances like floods, cyclones etc., from time to time but the provision finally accepted depends on the overall financial resources position and due to financial constraints, it is invariably less than the requirements assessed for this purpose." In support of this contention, it has been indicated that against the assessed provision of Rs. 1990 lakhs for 1975-76 at the time of budget estimates, a sum of Rs. 1800 was provided, and against the figure of Rs. 2069 lakhs at the revised estimates stage, the funds provided were Rs. 1887 lakhs. Presumably, the reduction, which works out to about 10 per cent of the assessed funds would have been made deliberately with an eye on economy, for which there is admittedly always some scope for such works. This belief is supported by the fact that normally control over expenditure is to be exercised through scrutiny of estimates, works registers and schedule of rates, but it is seen from the Advance Audit Report for 1976-77 that "no works registers were maintained by the Pay and Accounts Officer (National Highways) in respect of the year 1976-77."

The Committee take note of the Ministry's hapless position and its inability to get funds fully provided for, as assessed. The Committee desire that this aspect needs to be fully gone into by the Government in the Ministry of Finance (Budget Division). They would like to have a detailed clarification on how far the financial constraints stood in the way of making adequate provision of fund-requirements of the Ministry of Shipping and Transport.

15 2:48 Shipping & Transport (Roads Wing)/Finance (Expenditure)

The Committee have further been informed by the Ministry that "till September 1976, the expenditure incurred by State Governments as executing agencies of the Central Government, for development and maintenance of National Highways was debited directly against the Central cash balances and the States were not subject to any budgetary control." In order to overcome this situation, action to evolve a revised procedure for payment for National Highways on the basis of recommendations of the Task Force is reportedly in hand. The Committee also find that the proposed revised procedure is being worked out in consultation with the Ministry of Finance/Ministry of Law and the Comptroller and Auditor General.

16 2:49 Do.

It is rather distressing that in spite of repeated exhortations by the Committee for an expeditious examination of the suggestions, made about 4 years back, by the Task Force constituted nearly six years ago, no finality has yet been reached in this vital matter. The Committee have dealt with this aspect in a greater detail in para 3.12 of the subsequent Chapter.

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Shipping & Transport (Roads Wing)

The Committee find that against the original charged appropriation of Rs. 10,000 which was augmented by a Supplementary Appropriation of Rs. 1,20,000 under Grant No. 80-Roads, the actual expenditure amounted to Rs. 3,90,520, thereby leaving an uncovered excess of Rs. 2,60,520. The excess is mainly attributable to the gross excess of Rs. 2,71,041 under the sub-head A.4(1)(1)—Roads in Delhi. Against an Appropriation of Rs. 19,000 obtained in March 1977, the actual expenditure amounted to Rs. 2,90,041, leading to an excess of Rs. 2,71,041. It is significant that the gross excess over final grant under this sub-head works out to 208.40 per cent, which is rather alarming. The Committee would like to have further details as to why the decretal awards could not be foreseen at the time of revised budget allocation and the exact point of time when the awards in question were announced.

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Steel & Mines (Steel)

The Committee are surprised to note that the excess expenditure of Rs. 5.33 lakhs occurred under sub-head "AAI(4)-Acquisition of Land (Acquisition of Land for Durgapur Steel Plant)" under Grant No. 83—Department of Steel in fulfilment of Court awards, as the budget provision of Rs. 10 lakhs was wrongly made for this purpose in the 'Voted' Section of the Grant, even though payment incurred in pursuance of awards of Courts is correctly debitable as 'Charged' expenditure as per the provisions of Article 112(3)(f) of the Constitution. This clearly indicates an utter callousness in following basic

budgetary principles and procedures of classification. The Committee are at a loss to understand how this incorrect allocation remained undetected before the closure of accounts. They would like the Ministry to examine the reasons for this lapse, particularly at the supervisory level, with a view to fixing responsibility for appropriate action against those concerned under advice to the Committee.

19 2:56

Works & Housing

An excess expenditure of Rs. 14.60 lakhs had been incurred in the 'charged' portion of the Capital Section of Grant No. 96—Housing and Urban Development relating to the Ministry of Works and Housing. Bulk of the excess is attributable to sub-heads 'AA.1(1)(1)—Works and Housing' and 'CC.1(2)—Development of National Capital Region'. It is significant that but for re-appropriation, the excess over authorised Appropriation would have been much more to the tune of Rs. 12.93 lakhs and Rs. 75.00 lakhs respectively. The additional requirements of loan to one of the State Governments (Haryana) in connection with the Development of 'National Capital Region' having gone up by Rs. 75 lakhs, the additional funds over the budget provision of Rs. 1 crore were provided to the extent of Rs. 68.57 lakhs by re-appropriation only shows the extent to which the estimates had been inflated in respect of one of the other sub-head 'Integrated Urban Development in Areas of National Importance'. Considering the fact that the liability on this account was by no means unforeseen or unexpected and since it is not attributable to any extraordinary development, the Committee are of the view that it should have been possible to assess and fully provide for the commitments in this

regard. The Committee desire that the Ministry should evolve, in consultation with the Ministry of Finance, suitable mechanisms to ensure a more realistic and accurate forecast of monetary requirements in future.

20 2·57 Finance (Expenditure)

Subject to the above observations contained in the preceding paragraphs of this Report, the Committee recommend that the excess expenditure referred to in paragraph 2.1 of the Report be regularised in the manner prescribed in Article 115(1) (6) of the Constitution of India.

21 3·7 Finance (Expenditure), Defence, Home Affairs, Shippings & Lok Sabha, Transport, Health & Family Welfare.

The Committee had, in paragraph 3.7 of their 38th Report (Sixth Lok Sabha) taken a serious view of the persistent delays that had been taking place in the submission of Action Taken Notes and had desired to be apprised of the measures contemplated to ensure that Action Taken Notes were invariably furnished to them within the stipulated time limit of six months. The Committee find that in pursuance of their recommendation, Ministries or Departments have once again been requested by the Ministry of Finance that Action Taken Notes should be finalised and submitted within the prescribed period of six months. It is rather disconcerting that despite the comments of the Committee in their earlier reports and the fact that instructions had been repeatedly issued by the Ministry of Finance in February 1974, July 1976, August, 1977 and June, 1978, delays continue to occur this year as well. 17 Action Taken Notes in res-

pect of recommendations contained in their 38th Report (Sixth Lok Sabha) were received after the due date viz., 14th May, 1978. The delay was of the order of a month and a half in 12 cases. Whereas two notes from the Ministry of Defence were received after a delay of over two weeks one note from the Ministry of Home Affairs was received after 3½ months on 1-9-1978. The note from the Ministry of Shipping and Transport was, however, received on 11-7-1978. One advance note from the Ministry of Health and Family Welfare was received after 5 months. The Committee take a very serious view of the delays, particularly occurring in the Ministry of Home Affairs and the Ministry of Health and Family Welfare and feel that the instructions issued by the Ministry of Finance are observed more in breach than in compliance. They would like to be reassured that the recommendations of the Committee receive prompt attention and the time schedule prescribed for furnishing the Action Taken notes is scrupulously followed in future, save in exceptional cases and that too for unavoidable reasons.

- 22 3·8 Finance (Expenditure) The Committee would like that final replies to the recommendations on which interim replies have so far been sent, are furnished to them, duly vetted by Audit, without further delay.
- 23 3·12 Shipping & Transport. (Roads Wing), Finance (Expenditure) The Committee have made observations on the gross excess under Grant No. 80—Roads aggregating Rs. 290.31 lakhs, in Chapter II of this Report (of paras 2.47 to 2.49). The Committee note that following the recommendation of the Public Accounts Committee contain-
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ed in their 49th Report (5th Lok Sabha), a Task Force was set up in December, 1972 to investigate the causes for excesses and suggest remedial measures to improve the budgetary system. The report of the Task Force was considered on 25th April, 1977. From the reply furnished to the Committee by the Ministry of Finance in June, 1978, it is seen that after protracted correspondence and discussions, a statement of the case was prepared by the Ministry of Law in consultation with the Ministry of Finance and Shipping and Transport. Before obtaining the opinion of the Attorney General, the draft statement was referred to the Office of the Comptroller and Auditor General of India in April, 1977 for comments. As the draft statement did not seem to bring out the various issues involved and the basic point at issue, in their proper perspective, an inter-departmental meeting was accordingly held on 13 March, 1978 to discuss the statement of the case. The Committee have been informed that further action in this regard is being taken by the Ministry of Law and in the meantime, the National Highways Accounting Cell in the Ministry of Shipping and Transport is being strengthened to ensure proper accountal and control of expenditure.

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- 24 3.13 Shipping & Transport (Road Wing), Finance (Expenditure). The Committee also find that the procedure for management and accounting of Stores in the Railways and Posts and Telegraphs is stated to be well organised and centralised. Prior to 1956, the C.P.W.D. also resorted to 'Net Budgeting' whereby provision was

being made for anticipated net increase or decrease in the suspense balance. A decision has been taken that the Ministry of Works and Housing should conduct a detailed study of the accounting and budgeting of the CPWD *vis-a-vis* the pattern followed by Railways. It is further seen from the reply of the Government that the position should be reviewed again after the proposed study by the Ministry is completed. In the meantime, *status quo* is being maintained and it was decided that the Department should exercise strict control over the expenditure *vis-a-vis* the funds provided for the suspense Head in the Budget.

25 3.14 Do.

The Committee are distressed to point out that inspite of repeated exhortations by them the progress to ensure proper accountal and control of expenditure has rather been at snail's pace, with the result that excesses over authorised provisions continue to occur year after year. They feel that the issues involved are not so intricates as to evade solution. The Committee once again stress that finality should be soon reached in this matter of importance. They would like to be informed of the concrete action taken in this regard as and when the statement of the case is finalised by the Ministry of Law and sent to the Attorney General for obtaining his opinion.

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26 3.15 Do.

The Committee also find that the only change brought about following departmentalisation of accounts with effect from 1st July, 1976, is that now the State Accountants General prepare a monthly statement of expenditure incurred by the State Governments, which

is reimbursed by the Pay and Accounts Officer, Ministry of Shipping and Transport. From the Advance Report of the Comptroller and Auditor General of India, it is seen that the checks to be exercised by the Pay and Accounts Officer (National Highways) in respect of works expenditure with reference to vouchers, sanctions, contract documents, schedule of rates, statements of remittances into treasuries and paid cheques, had not been prescribed till January, 1978. During local Audit (October 1977) of the Office of Pay and Accounts Officer (National Highways) it was noticed that after reimbursement of expenditure incurred by State Governments, no effective post-checks were applied to the accounts and vouchers received. The Committee cannot comprehend how the strengthening of the National Highways Accounting Cell could ensure proper accountal and strict control of expenditure, unless detailed procedures for accountal and inspection of National Highways expenditure are laid down. They would like to have further clarification on the circumstances under which it has not been possible to lay down detailed procedures for accountal of National Highways expenditure.

27 3.16 Finance (Expenditure)/Works & Housing.

One of the functions of the Controller General of Accounts is to have a coordinating and innovating role in the introduction of Management Accounting System in the various Ministries or Departments of the Government. The Committee find that the procedure for man-

agement and accounting of stores in the Railways and Posts and Telegraphs is stated to be well organised and centralised. Prior to 1956, 'Net Budgeting' was being resorted to in the C.P.W.D. also under 'Suspense' head. In this connection, it is relevant that the question of 'net budgeting' as prevalent in Railways and Posts and Telegraphs, was also recommended to be re-introduced in the C.P.W.D. in consultation with their Associated Finance and the Comptroller and Auditor General of India. The Committee have been informed that a decision had been taken that the Ministry of Works and Housing should conduct a detailed study of the accounting and budgeting of the CPWD *vis-a-vis* the pattern followed by Railways. The Committee desire that the proposed study may be completed soon and the position as reviewed thereafter may be communicated to them. The desirability of associating the Controller General of Accounts who is to have a pivotal role in establishing and maintaining a technically sound accounting system in the Ministries and/or Departments, may also be appropriately considered. The Committee also desire that they may be informed in due course of the progress achieved in the introduction and/or enforcement of Management Accounting System and evaluation of the status of performance budgeting.

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